

JPRS-CAR-91-031
31 MAY 1991



JPRS Report

China

China

JPRS-CAI-91-031

CONTENTS

31 May 1991

POLITICAL

Journalist Association Chairman Outlines Tasks [ZHONGGUO JIZHE No 2]	1
Century-Old Artist Admitted to Party [XINHUA]	1
Yang Shangkun Appoints, Dismisses Ambassadors [XINHUA]	2

ECONOMIC

NATIONAL AFFAIRS, POLICY

Journal on Economic Reform Trends [JINGJI GUANLI No 3]	3
Further Reform of State Asset Management Urged [JINGJI YANJIU No 2]	9
Statistics Show Normal Economic Growth for Jan-Apr [XINHUA]	14

PROVINCIAL

Anhui 1990 Statistical Communique [ANHUI RIBAO 3 Mar]	15
Fujian 1990 Economic Statistics [FUJIAN RIBAO 28 Mar]	20
Hebei Achieves New Technology Development [Shijiazhuang Radio]	27
Huangfu Ping Calls for 'Year of Reform' in Shanghai [JIEFANG RIBAO 15 Feb]	27
Shanghai Government Work Report [Shanghai Radio]	28
Shanxi Conducts Public Opinion Poll on Reform [SHANXI RIBAO 23 Apr]	44

FINANCE, BANKING

Customs To Facilitate Foreign Trade Service [Hong Kong LIAOWANG No 3]	46
-----------------------------------------------------------------------	----

LABOR

Labor Union Helps Relieve Nickel Company Losses [XINHUA]	49
----------------------------------------------------------	----

AGRICULTURE

April Imports of Cereals, Edible Oils [CEI Database]	49
Hebei Invests More in Agricultural Development [XINHUA]	49
Heilongjiang To Build Commodity Grain Production Base [XINHUA]	49

SOCIAL

Peasants Suffer Hardship [Hong Kong CHENG MING No 160]	51
Privileges Enjoyed by Children of Senior Cadres [Hong Kong CHENG MING No 160]	53
Shandong Commends Culturally Advanced Counties [Jinan Radio]	54
Public Security Cooperation Network Proves Effective [XINHUA]	55

TAIWAN

Editorial Calls for Ending Discriminatory Trade Practices [CHING-CHI JIH-PAO 9 Apr]	56
Editorial on Methods To Promote Private Investment [CHING-CHI JIH-PAO 6 Apr]	57
Budget Office Projects Increased Economic Growth [CNA]	58
Upturn in Early May Exports Leads to Optimistic Outlook [CNA]	58
Incentives Offered To Promote Industrial Automation [CNA]	59
Foreign Workers To Be Hired 'Conditionally' [CNA]	59
Economic Growth Reaches 6.4 Percent in 1st Quarter [CNA]	59
Ministry To Draft Social Security, Welfare Guidelines [CNA]	60

Journalist Association Chairman Outlines Tasks

91P301394 Beijing ZHONGGUO JIZHE [THE CHINESE JOURNALIST] in Chinese No 2, 15 Feb 91 pp 4-9

[Part three of an article by Wu Lengxi (0702 0397 6007): "Report on the Association's Work at the Fourth Council of the All-China Journalist Association (15 January 1991)"; see FBIS-CHI-91-026 pp 21-23 for the text of part two; ZHONGGUO JIZHE is sponsored by the Xinhua News Agency]

[Summary] China's journalists should exploit the powerful tool of the media and public opinion to carry out, "with a strong sense of historical responsibility and urgency," the spirit of the Seventh Plenary Session of the 13th CPC Central Committee and "mobilize, inspire, and organize" the masses to carry out the 10-Year Program and the Eighth Five-Year Plan. The All-China Journalist Association [ACJA] should strengthen its ideology, organization, and work; creatively break new ground; and more effectively exploit the role of mass organizations.

1. Be Clear About the ACJA's Function and Make "Service" the Guiding Ideology

As a mass organization of the CPC and as an organization of journalists, the ACJA should carry out its role of serving as a bridge between journalistic circles and the party and the government. The ACJA should persevere in the socialist direction and strive to carry out its role of fulfilling the party's line, policies, and the socialist tasks.

2. Emphasize Work at the Grassroots Level

In recent years, journalism and the journalistic ranks have rapidly developed in localities, cities, counties, factories, mines, and enterprises. The number of young journalists has grown rapidly; 70 percent of the nearly 200,000 journalists nationwide are young people. Journalists in cities, localities, and at grassroots levels face new problems in propaganda, journalism theory, and building the party ranks. The ACJA needs to focus on problems facing grassroots level journalists, and plans to guide grassroots level units and actively support news organizations and journalism groups.

3. We Need to Increase Propaganda Volume and Push Journalism Reform

Problems that journalistic circles face are: How does journalism carry out the party's principles under all kinds of "complicated situations"? How can we keep up our fine journalistic traditions at the same time that we selectively adopt what is good from abroad? How do we follow our main objective of propagandizing the truth? As we propagandize the truth, how do we develop reporting that is critical and how do we develop supervision by the public? How can we continue to reform the media in light of our experience in recent years?

Our attempt to reform the media is an attempt to improve it, and is by no means an attempt to change its socialist nature to a capitalist one. The socialist nature of the media means that it serves as the eyes, ears, and tongue of the party, government, and the people. All other requirements of the media, such as that it be fast, up-to-date, truthful, responsive, knowledgeable, and interesting proceed from its basic nature and is guided by it. In media reform, we must be clear as to what is the first priority and what is the second.

The ACJA should work in concert with local journalistic associations to increase the volume of propaganda and reporting, and reform the media so that it will be truer to life, reality, and the masses.

4. Protect Journalists' Legal Rights, and Represent Their Views and Requirements

It is the responsibility of the ACJA to both protect journalists when their interests are being harmed, such as when they are obstructed from doing their job, and to protect society when journalists harm its interest, such as when they commit serious errors in reporting. The ACJA also looks out for the social welfare of journalists and represents their interests before the party and government.

5. Develop Academic Study of Journalism

The ACJA should work closely with media units and journalist groups in academia to develop journalism as an academic discipline. Studies in journalism theory must be based on Marxism-Leninism-Mao Zedong Thought, and carry out the principle of letting a hundred flowers bloom and a hundred schools of thought contend. Topics should focus on domestic trends in the media and public opinion, and the responses of the various levels in society to the media and public opinion.

6. Increase Cooperation With Journalism Circles in Hong Kong, Macao, and Taiwan, and Work to Carry Out the Principle of "One Country, Two Systems"

We should deepen the understanding and cooperation that we have developed in recent years with journalism circles in Hong Kong, Macao, and Taiwan by enthusiastically, fully, and truthfully responding to their reporters' reasonable requests for information. In particular, we should introduce them to our economic achievements so that they will feel patriotic toward the motherland. The ACJA will continue to help localities respond to the needs of journalists from Hong Kong, Macao, and Taiwan.

Century-Old Artist Admitted to Party

01060517494 Beijing XINHUA in English 15 Feb GMT 6 May 91

[Text] Shanghai, May 6 (XINHUA)—Zhu Qizhan, a 100-year-old noted Chinese painter, was excited to learn today that he has been admitted to the Chinese Communist Party [as received].

Zhou said that he submitted an application to join the party in 1985 and that he had applied for admission several times after that.

Last year, his personal painting show created a furor within and outside China. He is now preparing to hold another show when he turns 105 years old.

Yang Shangkun Appoints, Dismisses Ambassadors

OW1405144091 Beijing XINHUA Domestic Service in Chinese 0845 GMT 13 May 91

[Text] Beijing, 13 May (XINHUA)—In accordance with a decision of the Standing Committee of the National People's Congress, President Yang Shangkun has appointed and dismissed the following ambassadors:

1. Liang Feng was dismissed from the post of ambassador extraordinary and plenipotentiary to the Lao People's Democratic Republic.

Huang Guocai [7806 0948 2088] was appointed ambassador extraordinary and plenipotentiary to the Lao People's Democratic Republic.

2. Wang Ganghua was dismissed from the post of ambassador extraordinary and plenipotentiary to the Republic of Ecuador.

Xu Yicong [1776 6318 5115] was appointed ambassador extraordinary and plenipotentiary to the Republic of Ecuador.

3. Du Zhongying [2629 6988 3467] was appointed ambassador extraordinary and plenipotentiary to the Republic of Vanuatu and the Republic of Kiribati.

NATIONAL AFFAIRS, POLICY

Journal on Economic Reform Trends

HK0205121391 Beijing JINGJI GUANLI in Chinese
No 3, 3 Mar 91 pp 4-9

[Article by Yan Fan (6056 0416), edited by Lin Daojun (2651 6670 0689): "Thoughts on China's Economic Development, Reform"]

[Text] The year 1991 is the first year of the Eighth Five-Year Plan period, as well as a significant year for the continuous implementation of rectification and consolidation, and for an in-depth development of reforms. To realize China's strategic goal of its second stage of socialist modernizations, it is of great importance to do well this year's economic work and to make the national economy bounce back and develop in a normal and steady manner.

The current economic work is plagued by numerous difficulties and problems. I hold that we must correctly understand, and handle well, three issues in order to make further progress on the basis of the present achievements, to really make the national economy develop in a continuous, steady, and coordinated manner.

I. How To Correctly Handle the Current Economic Situation

After the rectification and consolidation over the past two years, some difficulties and problems concerning the development of China's national economy have been, or are being, mitigated. The economy, which became overheated over the past years, has cooled down. The excessively expanded scale of investment in fixed assets, as well as that of consumption demand, have been effectively checked. The inflation tendency is weakened. The inflation rate of retail commodity prices has dropped remarkably. The chaotic state of economic order has been initially consolidated. In addition, there have been two successive years of bumper grain harvests and a continuous growth of exports; and the national economy as a whole is developing in the direction of switching from fluctuation to stability. This indicates that we have indeed made gratifying achievements in rectification and consolidation.

However, through an in-depth observation and analyses of the effects of these phenomena on economic life, we have mixed feelings, thinking that we should not be excessively optimistic toward the situation, and have a sense of urgency. This is not only because we made no substantial progress in readjusting the irrational economic structure, which is one of the major goals of rectification and consolidation, but also because there are, or are developing, some unstable factors in the national economy's development, to which we must attach great importance. For example:

A. The declining industrial production was checked, and has begun to bounce back. However, (1) the pace of rebound was not even across the country. In some places, the pace was very slow, and some places were still struggling at its "bottom." For example, last year's accumulated value of annual industrial output of the three northeastern provinces only increased 0.6 percent. There were also places that showed negative growth. (2) The rebound base was not firm. Compared to the previous year, last year's output value of the industrial enterprises owned by the whole people, which was the subject of the national economy and whose output value accounted for over 60 percent, only increased 2.9 percent; whereas the growth rate of collective-owned enterprises was seven percent. The growth rate of other economic enterprises, which were mainly the "three types of foreign-funded" enterprises, was over 40 percent. Some old industrial bases, as well as many large and medium enterprises owned by the whole people, particularly machine-building and textile enterprises, were having a hard time because of seriously entangled debts, overstocked inventory, product unmarketability, raw materials (such as cotton) shortages, and other reasons. A considerable portion of the growth in China's industrial output value came mainly from the "three types of foreign-funded" enterprises, town and township enterprises, and export enterprises. (3) Rebound "quality" was not high. Many products were not popular, but their production continued. By the end of November last year, the proportion of product value to capital of China's budgetary industrial enterprises increased 3.45 percent compared to the beginning of the same year, or 28.8 percent when compared to the same period of the previous year, which exceeded the industrial production growth rate by a large margin. In some areas, the proportion of newly increased unmarketable and inferior industrial and commercial inventory throughout the year was above 20 percent, and the general proportion was about 15 percent. Some localities blindly undertook projects, blindly engaged in production, practiced fraud, or added a portion of nonindustrial output value to the industrial one, in order to meet requirements in terms of output value and speed set by the upper levels. Thus, we can see that the industrial output value had been exaggerated in many ways. It was estimated that the exaggeration level was about 2-2.5 percent of the value. (4) The structure of industrial growth was irrational. The production of high-class and average-quality durable consumer goods, as well as mechanical and electrical products, and in which the capacity was excessively large, stopped dropping and quickly bounced back; whereas the production of major raw materials such as quality steel, washed fine coal, and crude oil was slow, or dropped, so that the internal structural contradictions became prominent again.

B. The output value of production enterprises, as well as the sales volume of circulation enterprises, stopped dropping and bounced back. But the economic results of enterprises dropped sharply, and their financial difficulties were intensified because of the sluggish market.

serious overstocked inventory, poor management and high consumption in some enterprises, and various factors that increased the expenditures but reduced the revenue. Between January and November last year, the accumulative output value of China's budgetary industrial enterprises, being the major source of the state's fiscal revenue, increased one percent when compared to the same period the previous year. Realized profits dropped 56.7 percent. As many as 35 percent of the enterprises suffered losses, and the amount of losses increased 1.04 times. Their cost of parity products increased 6.5 percent. To all enterprises engaging in commercial trade, their profits made in the previous year became losses. Certain enterprises dealing with goods and materials also suffered losses. In addition, more industrial and commercial enterprises were plagued in varying degrees by potential losses (such as nominal profits, operating with debts, buying high and selling low, and so forth). Successive years of poor economic results in enterprises is one of the major problems concerning China's economic life. Last year, the price of the means of production was rather steady. According to preliminary statistics, it increased slightly, 2.6 percent, when compared to the previous year. In many cases, the market price dropped (between January and September, the average price of rolled steel dropped 2.7 percent, that of aluminum dropped 9.1 percent, and that of high- and low-pressure polyethylene dropped 29.6 and 22.2 percent respectively). Nevertheless, production costs continued to rise, and the economic results declined sharply. This indicates that the situation was very serious. Therefore, the problem of the income falling short of the expenditures became more acute, and the deficit grew further.

C. Agricultural output increased comprehensively. Compared to the previous year, its gross output value increased about five percent. The gross output of grain, as well as its yield per unit area, reached a record level. However, the reason that the grain output increased was largely because of "the help of heaven," in addition to "human efforts." Last year, world weather was favorable, and agriculture reaped bumper harvests. The weather in the three northeastern provinces, as well as in Inner Mongolia, was so favorable that their grain output increased by more than 20 billion jin, accounting for 50 percent of the newly increased volume. At present, China's agricultural basis is still rather weak. In many places, irrigation and flood control facilities on rivers and lakes had not been repaired for years, and such projects were affected by heavy debts. The level of mechanization in agriculture was so low that large-scale agricultural services systems had yet to be formed. The situation was basically living by depending on the weather. We must also realize that last year's purchase price index of agricultural and sideline products dropped because of irrational pricing. Together with a drop in the income from nonagricultural industries and other reasons, the per capita real income of peasants (after adjustment for price hikes) between January and September decreased 3.7 percent when compared to the same period

of the previous year. The situation throughout the whole year was basically balanced, with some places making growth, and some declining sharply. The situation in which the output increased but not the income, and in which peasants' real income dropped, was unfavorable to the work of protecting the peasants' initiative and that of stabilizing the development of rural economy, particularly to increase the input of agricultural production. We should attach great importance to this situation. The idea that the agricultural production's "fluctuating situation has ended" may be too optimistic.

D. The price rise rate sharply dropped, and residents were not as anxious as they had been. Compared to the previous year, retail prices throughout the year increased about two percent, and was much lower than the previous two years. The difference between the planned and nonplanned means of production was also minimized. Between January and September, the price difference of coal dropped from 173.8 percent in the first half of the previous year to 122.2 percent; that of rolled steel dropped from 41.4 to 25.6 percent; and that of pig iron dropped from 53.0 to 10.1 percent. This thus created favorable conditions for further reforming the pricing system. Nevertheless, there existed certain problems that we must not ignore. First, since last year's fourth quarter, various localities had generally raised the price of basic articles for daily use and services. In some localities, particularly large and medium cities, the price rise rate was as much as 10 percent, which exceeded the level acceptable by ordinary residents. The masses noted that the announced statistical price index was different from the actual situation. Second, price distortion and the chaotic state of pricing were still very serious, or were even intensified. In particular, there were more than 10 prices for the same item of planned means of production, such as the state allocation price, local price, import agent's price, negotiated price, provisional ex-factory price, ex-warehouse reserve goods' price, and so forth. In addition, there were cases where the price of planned means of production was higher than that of nonplanned ones. This not only seriously affected the normal circulation, but also made things more difficult in the work of rationalizing the pricing system. Third, to a considerable extent, the basically stable prices were maintained by depending on financial subsidies and administrative directives. The burden of subsidies was so heavy that the amount of price subsidies granted by the central authorities throughout the year was more than 40 billion yuan. In some large cities, the amount was more than 50 percent of their final accounts. It is very difficult for us to continue acting this way.

E. Inflation was checked and the financial situation was rather stable. The actual amount of currency issued throughout the year was lower than the planned amount, and the amount of savings in banks increased, so that we did a good job in withdrawing currency from circulation. Nevertheless, the scale of loan grants offered by banks was so large that it exceeded the original level by almost 50 percent. The growth of loan grants was higher than

that of national production value by 13 percent, which was much higher than necessary for economic development. The amount of currency in circulation among markets across the country increased sharply, and society's surplus purchasing power (savings deposited and cash held by the residents) exceeded 900 billion yuan. The composition of loan grants offered by banks was irrational. While demand at the intermediate level increased by a large margin, the ultimate demand only increased by a small one. The proportion of working capital loans to the newly increased loans was 80.2 percent, whereas the proportion of fixed assets was 13.2 percent. According to relevant data, industrial production bounced back mainly because of a large input of capital, so that one-quarter of the input was eventually turned into overstocked inventory. Together with a decline in the economic results, as well as a widened difference between financial revenue and expenditure, the above situation established the factors for inflation's rebound. In 1991, the social demand will continue to bounce back, and the state will readjust some of the product prices in a planned way. Thus, production costs will increase, as will the residents' projections on prices. Therefore, it is not groundless that many people are worried that inflation may strike back.

Essentially, the above problems are a manifestation of the irrational economic system and economic structure. If these problems are left unsettled, it will be difficult for the economy to operate normally or to develop steadily. When this is not done well, various contradictions and problems under the old system will again become prominent, and our rectification and consolidation achievements will be gone. We should "be vigilant in peacetime," keep a sober mind, and attach great importance to and actively solve the problems.

II. How To Begin Further Developing the Market and Economy

Reform is the key to gradually developing the national economy in a continuous, stable, and coordinated manner. Speeding up the reform has become a common understanding and aspiration of the people. In the past two years, when the focus was on improvement and rectification, the first question to be carefully settled was how to actively open up and activate the market and remove obstructions in economic circulation under the precondition of enhancing economic efficiency, optimizing the economic structure, and maintaining social stability.

To solve this issue, we must first correctly understand and analyze the market. First, the market is part of the commodity economy. "Wherever there is social division of labor and commodity production, there is 'market.'"¹ In the course of interaction between supply and demand, the value of commodities is realized through commodity circulation, and this is a market. There will be no commodity economy without a market. Development of the commodity economy will be hindered when the market is subject to restrictions and the circulation is

blocked. For a long time, China regarded the planned economy as superior to the market economy, and that production was superior to circulation; so that the market was backward, circulation was not smooth, and the situation did not conform to developing a commodity economy. At present, the cause of some economic problems, particularly the sluggish market, is of course related to the "general atmosphere" of the macroeconomy, and problems concerning production (such as irrational composition of industries and products). However, it is also closely related to the backward market. Regarding some chaotic phenomena of the economic life, some comrades blamed the market when carrying out rectification and consolidation; so that they were afraid of it, imposed restrictions on or even closed the market, and abolished those policies and measures that were adopted after reforming and opening up started and had been proved effective in developing and invigorating the market. This was not a correct attitude. Second, a sluggish market is of course abnormal, but it is also normal. It is a positive effect of adopting austere financial and credit policies, and controlling an excessive inflation of social demand; as well as an inevitable reaction of the people after experiencing an overheated economy, an excessively thriving consumption, and a blind purchasing spree. We should not think that such 1988 phenomena as the buying spree and soaring prices will occur again. Over the years, we hope to have a relaxed market in which the supply is slightly greater than the demand in order to promote reform. Now, such a phenomenon has emerged. We cannot but hold that this is good. Judging from the rule of market development, it is inevitable that there are fluctuations, an alternation of a sluggish and a thriving market. In particular, after inflation intensified, and the prices soared sharply (increasing 52 percent in the previous three years), the masses' actual purchasing power dropped, and they took a wait-and-see attitude toward the market and consumption. Thus, it was natural that the market became sluggish. Third, the market became sluggish because of its composition, that is, it was some rather than all commodities which had sluggish sales; for example, high-class durable consumer goods and means of production of an investment nature. In addition, the market was imbalanced, that is, the sluggish rural market was much worse than in cities; and the situation in coastal areas was also different from that in inland areas.

Over the past year and more, the state adopted a series of policies and measures to readjust the scope of austerity to develop the market. Though it made achievements, the results were not as completely expected, and problems were left unsettled. For example, although the banks sharply increased the amount of loans on several occasions, most such loans were used to boost intermediate demand, that is, loans were granted to production and circulation enterprises to allow them to buy and purchase more products. However, because of product unmarketability and the sluggish market, the products were delivered from workshops to warehouses, and from

industrial warehouses to commercial warehouses, so that there was large-scale overstocking.

A solution is:

A. We should develop the rural market. China is a large agricultural country in which 80 percent of its population lives in rural areas. Peasants are the largest group of consumers. According to statistics, the agricultural market accounts for 56 percent of the retail sales volume of commodities in society; this was as much as 70 percent in some areas. In developing the market, we should mainly focus on developing the rural market. In developing and invigorating the rural market, we should not only closely relate the work to the vitality of agriculture and the protection of peasants' initiative, but also has a great bearing on the work of developing the whole market and the whole economy. At present, the urban market is gradually improving, and is generally rather stable. In addition to achieving growth in the sales of nonstaple food and articles for daily use, the popularity of some durable consumer goods has matured. However, the popularity of such goods in rural areas is still very low. Though peasants had a strong desire to purchase building materials, medium and small agricultural machinery, intermediate- and low-level electric home appliances, most of the rural market is still at its "bottom" level because of the drop of their purchasing power and poor circulation. In view of this, the economic departments, particularly commercial, goods and materials, and supply and marketing departments, must first change their thinking and work style. They should focus not only on cities but also on rural areas. Second, we should earnestly solve the problem of funding for purchasing agricultural and sideline products. After there was a bumper agricultural harvest, many localities reported that there was a shortage of capital, and the peasants had goods rather than cash in their hands. Also, more bank loans should be offered in this respect, so as to ensure the availability of funds necessary for the state-run commercial sector, as well as supply and marketing cooperatives. Furthermore, the sources of goods would be well organized, and more agricultural and sideline products would be purchased, thereby improving the peasants' purchasing power. Third, the commercial, goods and materials, and supply and marketing departments must set up more sales networks, and solve the problems in selling grain, storing grain, and buying commodities. Fourth, we should, under the guidance of state plans and policies, give full play to the supplementary role of collective and individual economies and invigorate the rural market.

B. We should uphold the policies and measures of developing, perfecting, and invigorating the circulation process. Marx said: "If a production process cannot be transferred to the circulation process, it will fall into difficulties." Though China has preliminarily formed an open and diversified circulation system following the practice of reforming and opening up, many comrades still have doubts about the role and functions of circulation, which exchanges functions and acts as a bridge

linking production to consumption, in the process of social reproduction. They hold that circulation "produces no value" and "is the soil giving rise to speculation." They acknowledge only the decisive role of production to circulation, but not the positive role of circulation, as well as under certain circumstances its decisive role, to production. Therefore, they one-sidedly stress the growth rate of production, but pay no attention to the need to organize production according to the market situation, or care about whether the goods produced are smoothly circulated to reach final consumption. This is the basic reason for "having gratifying results in industry while having poor results in commerce, and having overstocked inventory, as well as nominal financial revenue." It also goes against the requirement of developing a modern commodity economy. In developing an economy, we must develop and invigorate circulation. It becomes more important for us to develop and invigorate circulation in order to carry out the present work of ending the sluggish market. We should allow the adoption of, and should not simply negate, any policies or measures which favor the development and invigoration of circulation, such as the setup of various economies, varied circulation channels, diversified operations, transregional and multitrade cooperations, cooperation based on barter trade, exchange of goods permitted under certain policies, sale of overstocked inventory at a lower price, and so forth. Recently, the phenomenon of "walled wall" (protectionism by regions and departments) has spread wide and fast. For instance, force has been used to stop products made by other areas from entering a territory, and various means have been applied to protect local products. This has seriously affected the normal circulation of commodities and undermined China's unified and open market, in which competition is carried out on an equal basis. We must resolutely stop such acts to ensure a smooth circulation of goods.

C. We should readjust the composition of credit according to the state's industrial policy. In addition to safeguarding the significant key production construction, we should favor technological transformation projects that make products marketable and yield quick results and short-term capital construction projects that are closely related to the peoples' livelihood. Under the prerequisite of strictly controlling the general scale of credit, we should focus on using funds to purchase agricultural and sideline products when increasing the working capital loans, and should deliver more industrial products to rural areas. When increasing the fixed assets investment loans, we should first stress upgrading products. This is because the readjustment of the composition of industries requires a large investment and a long time to achieve; whereas the readjustment of product composition may be technologically transformed by using the existing production capacity, which requires less money and time.

For example, provided that the banks and industrial departments give their support, it is not difficult for

enterprises to change their operations to produce some small, easy-to-use electric home appliances and utilities, fashionable petty commodities, and fast food. For most commodities in the market, be they consumer goods or means of production, the supply and demand situation is still rather intense. We should act according to the principle of "drawing on the strength of each to offset the weakness of the other," as well as selectively and appropriately increase the loans for technological transformation to improve the situation. Those short-term capital construction projects mentioned above, which are closely related to the people's livelihood, mainly include highways, bridges, reservoirs, canals, grain farms, small quays, small airports, warehouses, irrigation facilities, household telephone sets, and commercial and goods exchange fairs in rural areas. The development of these projects is favorable for us to develop the market, to implement industrial policies, to consume overstocked building materials, to promote economic development, and to improve the people's livelihood. As the requirements of these projects for technology, capital, and materials are not high, and they can be completed within a short time, we may start building them through the support of banks, by raising funds in society, and by compensating for the use of these facilities.

D. We should exclude the construction of residential apartments from the sequential arrangement of capital construction projects, and speed up the process of building residential apartments on large scale for sale. First, such an approach conforms to China's national situation where the standard of residential houses is low, and residential apartments have become a focal point of consumption after the residents have had a considerable number of consumer goods. Second, this may make the construction industry an important pillar of the national economy and help develop industries such as building materials, textile, furniture, decoration, electric home appliances, transportation, postal, and telecommunication, as well as a series of other related industries, thereby promoting an improvement of industry as a whole. Third, this may be a way to consume those seriously overstocked means of production such as cement, glass, rolled steel for construction use, timber, and so on. Under the circumstances where the amount of funds in the hands of the masses is not much, we may adopt methods which have been proved effective, such as fund raising in society, installment payment, any of the above combined with state or enterprise subsidies, and so on.

E. We should mobilize the masses on a large scale to firmly grasp the work of improving economic results. This year, the State Council decided to launch a nationwide activity called the "Year of Quality, Variety, and Economic Results." This is really a necessary and appropriate approach. But the problem is how to carry it out in terms of ideology, organization, and practical work. A host of facts have indicated that in order to end the predicament and make developments, enterprises must mainly depend on their own efforts, stress their work on

the internal conditions, and work hard and thriftily to tap their potential. In the past, the Shenyang Towel Factory fluctuated around the break-even point for several years. But its output and profits grew for successive years after it mobilized its workers' initiative through various forms, readjusted the production organization, set strict requirements on consumption, and developed new products. The Tianjin Fu Jin Timber Processing Factory reformed its wages system and set strict management requirements. Though its staff was reduced, its production improved. Within a year, it turned losses into profits. Given the same external conditions, whether or not an enterprise conforms to the conditions of the domestic and overseas markets and achieves better economic results is mainly determined by its own operation and management, the variety and quality of its products, and its sales services. Now, there are indeed some enterprises which focus on the external conditions and their upper level. They adopt the attitude of "waiting, relying on others, and drifting along"; are at their wits' end when facing difficulties; and even blame the sluggish market when referring to their own problems. Their internal management is chaotic, their discipline is relaxed, and their wastage is serious. This kind of "sloppy mentality" must be solved well.

III. How To Make New Progress in the In-depth Development of Reform

The development of the economic situation, particularly the economic cycle's languid state, strongly urges us to develop our reform in an in-depth manner. Essentially, such problems in China's actual economic life, as well as long-standing persistent ailments, can only be completely solved through reform. To carry out reform on a larger scale and to speed up the pace of reform have become a common call by various areas.

How should we develop reform in an in-depth manner, and what should we do next? I hold that the key to the issue, as well as the most urgent task, is to clarify the relations in the following aspects in terms of understanding and guiding ideology:

First is the relationship between stability and reform. "Stability is superior to everything else." Without stability, there will not be any construction of socialism. This is a basic principle, in respect of which we must resolutely implement and safeguard. The so-called stability refers to dynamic stability, rather than the static one. It is to maintain stability in the course of changes, development, and progress; rather than to use force to achieve "stability" out of a standstill and stagnate state. The principle of "giving top priority to stability" covers the following points: First, social life is stable, so that there is stability and unity. Second, there is a steady growth in the national economy, so that there are no sharp fluctuations. Third, reform measures are adopted at the most opportune moment in an assured manner, so that there is no great disturbance. Therefore, stability contradicts neither reform nor development. Rather, they promote each other. When society becomes

unstable, or there is neither a stable nor united political situation, any attempt at reform or development is simply empty talk. The "Great Cultural Revolution" is the most profound lesson for us. However, if we engage in neither reform nor development, it will be inevitable that "bad, old practices die hard," and neither the economic nor political life can be stabilized. Of course, we must reform under the prerequisite of safeguarding the overall situation. However, it is impossible to do so without making a shock, or without involving or sacrificing personal interests. Nevertheless, we must not avoid reform just because of this. Instead, we must take an active attitude, and constantly promote an in-depth development of reform by implementing those carefully designed and steady measures.

Second is the relationship between centralization and decentralization. China's original system was highly centralized. Its disadvantages were known to everyone as it affected the initiative of localities and constrained the deserved vitality of enterprises and the enthusiasm and creativeness of workers. Following the adoption of reform and opening up, a series of measures for decentralizing power and invigorating the economy were adopted. This was a necessary and correct approach, and this has yielded good results. However, we must avoid simply concluding that centralization is bad for everything, or that the wider scope of decentralization is the better. The national economy is a flexible, integrated whole. Objectively, it is required that the state should carry out necessary centralization and arrange for supervision, to safeguard a proportional coordinated development. This is also the case in Western capitalist countries. To a certain extent, those states interfere with their socioeconomic life. Ours is a developing country in which the economy is rather backward. It will be impossible for it to accomplish certain major undertakings which are necessary and have great bearing on the overall situation in the long run if we do not maintain centralization at the necessary level. A manifestation of the socialist system's superiority is that it can mobilize a strong force, or accomplish certain major undertakings, within a rather short time. The key to the issue is to centralize and decentralize at an appropriate level. We must act according to the principle of integrating unity with flexibility; and must correctly clarify the relationship of authority of readjustment in respect of projects, capital, and the economy, namely the relationship between the central and local authorities, and those among the state, enterprises, and individuals. In addition, we should regularly readjust them in the wake of economic department. Some measures, such as those that eliminate local protectionism and "fief economy"; and those that separate profit delivery from taxes, perfect the taxation system, strictly implement the mandatory state plans, check arbitrary apportionments to and charges on enterprises by local authorities, and consolidate the economic order, particularly the market order, do not mean to "regain control" or to "return to the old practice." Rather, they are adopted just because they help create conditions for the in-depth development of

reform, or because they are part of our reforms that can mobilize the initiative of various areas in a better way.

Third is the relationship between planning and the market. This is the core issue concerning the in-depth development of reform, as well as a major issue relating to theory and practice. Generally speaking, macroeconomic activities such as aggregate volume control, and major readjustment of the economic structure should be subject to planning; whereas microeconomic activities, such as daily production, operations, transactions by enterprises, and so on, should be subject to market readjustment. State economic supervision should mainly switch to the work of planning, policymaking, overall balance, and macroeconomic readjustment. Carrying out the planned management must strictly follow the law of value, and must consider the market's supply-demand relationship. Market readjustment must be subject to the state's general plan and the restrictions of laws and regulations. Government administration must be separated from enterprise management. The government must stop arbitrarily interfering with market transactions or enterprise operations and management. The "omnipotence of planning" does not work. Even the state's key production construction projects must be covered by the market mechanism and must go through the process of competition and bidding before being contracted out. Similarly, the "omnipotence of market" is also wrong. We must not take the same way as the West does, which is a totally open format. To readjust the structure through competition, elimination, and reaccumulation is too costly and too long a process for us, and it would bring about polarization. It is better for us to act according to the national situation and selectively combine the advantages of planning and market.

Fourth is the relationship between enterprises and the market. Our past experience and the presently languid economic cycle have shown that to strengthen the vitality of enterprises, particularly large and medium enterprises owned by the whole people, is not enough. On the one hand, we must guide enterprises to strengthen their management, improve their internal operation mechanism, and strengthen their capability for self-constraint. On the other hand, governments at all levels must improve their macroeconomic supervision and uphold, perfect, and earnestly implement laws, regulations, and policies that expand the enterprises' right of autonomy. The most important point is to create for enterprises a market environment that conforms to the requirement of developing the planned commodity economy, and in which enterprises may act on their own accord as being the commodity producers and operators. At present, it is very difficult for enterprises to give play to their vitality, and there are many unhealthy phenomena regarding the socioeconomic life. For instance, products are overstocked here but are short there. "Goods becomes unmarketable when they arrive at their destination." The inventory period is long, the relationship between production and demand is unstable, it is difficult to buy and to sell, resources are not optimized,

and so forth. All these are closely related to the backward market. Originally, to cultivate a socialist market system was one of the three basic tasks of economic structural reform. However, because this task was seldom studied or put into practice in recent years, people often failed to regard the development of circulation and market as important as the development of production. They usually separate the two; and either intentionally or not, ignore, and neglect the market. In developing reform in an in-depth manner, boosting the vitality of enterprises, and developing the commodity economy, we must attach great importance to, and seriously grasp, the market. Only when the market is developed, and circulation is smooth, can we create good conditions for boosting the enterprises' vitality; and only thus can there be a correct direction and target for the state's macroeconomic readjustment. In grasping the market, we must separate government administration from enterprise management, rationalize the prices, eliminate locally protected market and circulation, perfect and unify the taxation system, strengthen the legal construction and supervision, establish a market system and network, improve the circulation facilities, and so forth. We need to make unremitting efforts in these respects.

Further Reform of State Asset Management Urged

HK 1405063091 Beijing JINGJI YANJIU in Chinese
No. 2, 20 Feb 91 pp. 3-8

[Article by Jiang Yiwei (5592 0001 5517) from Chinese Academy of Social Sciences Industrial Economics Institute and Tang Fengyi (0781 0023 5030) from the Chinese Academy of Social Sciences Institute of Finance and Material Economics: "Managing State-Owned Assets in Value Terms"—dated January 1991]

[Text] As China's economic reform enters a new stage, it becomes necessary to tackle problems with the national economy at a deeper level. The management of state-owned assets calls for further reform and improvement.

The overall aim of economic reform is to bring about a socialist planned commodity economy on the basis of public ownership. While this overall aim cannot be shaken in any way, the public ownership system needs to be improved through reform. Our present endeavors to explore the question of the management of state-owned assets, establish a scientific and effective system for the management of state-owned assets, and strengthen the management of these assets, are intended as measures to consolidate and develop the socialist public ownership system and develop a socialist planned commodity economy.

The most salient feature of the socialist system is public ownership. In the primary stage of socialism, the coexistence of diverse economic sectors, as well as the presence and appropriate development of the private ownership system as a supplement, must be based on the public ownership system. The public ownership system

will always occupy a leading position in the national economy. Nonetheless, how to fully bring into play the role of the public ownership system as the foundation and leading factor of the national economy remains an issue which can only be resolved through reform. We cannot say that socialism can demonstrate its superiority as a matter of course when the public ownership system is implemented and there are large quantities of state-owned assets. Practice has proved that the key to whether the superiority of the socialist public ownership system can be fully brought into play is whether or not we have a scientific and effective economic system. Thus, how to reform the system for managing state-owned assets and strengthen the role of the state sector of the economy will have an important bearing on whether or not the superiority of socialism can be fully brought into play.

The management of state-owned assets itself is nothing new. There are state-owned assets, and hence the management of state-owned assets, ever since the People's Republic was first established. The management of state-owned assets refers to the management of assets owned by the whole people by the state (government) acting on behalf of the people. For many years, this has been regarded as a simple formulation, as if there is no "theory" behind it. As the reform deepens, it has become necessary to study this formulation anew and make some theoretical analyses. As far as the management of assets is concerned, there are at least two concepts that need further clarification.

First, the similarities and differences between the concept of assets and the concept of capital.

According to Marxist theories, when money is converted into capital it becomes a means for the exploitation of workers and gaining surplus value. Capital and surplus value constitute the core of capitalist relations of production. Under capitalism, the entire property of an enterprise is called capital. To distinguish from capitalism, such property is referred to as funds and assets in socialist economies. But socialist state-owned assets must also generate profits. Since these profits belong to the laboring people they are called surplus labor or surplus products, rather than surplus value. Thus, it is generally maintained that there are essential differences between capital and funds (or assets) and between surplus value and surplus products (surplus labor) and that these constitute the dividing line between capitalism and socialism. As we see it now, capital is neutral in character, just like wages, profits, and enterprises. It may embody capitalist or socialist production relations. The essential character of relations of production is deeply hidden behind the facade and cannot be seen superficially. As in the case of a commodity, it is impossible to judge whether it is a capitalist commodity or a socialist commodity merely by looking. Under capitalist conditions, capital is at once special and general. As a means of exploitation, capital is the value that generates surplus value, the embodiment of capitalist relations of production. This is its capitalist characteristic. On the other

hand, as functional capital which is different from universal equivalents in monetary terms. It is the combination of intermediary means of production and labor, and is a means of creating commodities and profits. As such, it is in the nature of "principal capital." It has its universality and embodies the general characteristics of a commodity economy. As in the case of neutral categories like commodities, prices, and profits, this universality of capital is the concrete expression of the general characteristics of a commodity economy. In this sense, it is quite all right to refer to state-owned assets as state-owned capital. The essential distinction between the various types of capital lies in their ownership. If it is owned by the state, it is state-owned capital; if it is owned by a socialist state, it is state-owned capital under public ownership. There is also private and foreign capital. Of course it is also all right to call the capital assets or funds but this is likely to give rise to misunderstanding and confusion. People may think that "assets" refer to tangible objects and cannot, in fact should not, generate profits, because only capital does. This may result in a universal lack of asset management awareness, an awareness of investment and operational returns. Thus, this is not a simple issue of terminology. Besides, even if we call it a socialist state-owned asset we must still recognize and deal with it in the light of the capital management concept.

Second, the grounds or basis for the management structure. In other words, whether the management structure should be based on the product economy or on the commodity economy.

Before reform, our economic system was a highly centralized management system based on a quasi-product economy with administrative management as its distinguishing feature. It put the stress on indexes in terms of material products and on use value, and overlooked, even rejected, value and the law of value. Under this system, state-owned assets were merely a concept of use value. As such, they are also called state property. Enterprises may use and manage this property but neither operation and profits nor the quantitative increase of assets are stressed. Enterprises do not even have the right to lease or sell these assets. In the case of particular types of fixed assets, even the right of use is vested in the competent departments at the higher levels. "Ministry-controlled equipment," for one, is directly managed by the central ministries.

After the reform, the issues of commodity production and commodity exchange were raised. At that time, an important debate took place over whether the means of production should be considered as commodities. This is an age-old question. Although Stalin admitted in his later years that commodities did exist under socialist conditions, he did not regard the means of production as commodities and said that they were at most the "outer shells" of commodities. After a prolonged debate, we also agreed that the means of production should be considered commodities. This represented a major theoretical breakthrough, made in the course of reform, and

eliminated a major obstacle to the realization of a socialist planned commodity economy. However, recognition of the means of production as commodities implies only that the means of production can be exchanged and circulated in the market, just as the means of livelihood can, but it does not touch upon the question of the reproduction, and expanded reproduction, of the means of production. It can still regard the means of production as the use value of commodities.

After 10 years of reform, it has now been made clear that China's economic system is a socialist planned commodity economy based on public ownership. Our present probe into the management of state-owned assets is no longer concerned with asset management under the product economy but is concerned with asset management under a socialist planned commodity economy. Thus, we must provide a theoretical solution to the question of state-owned assets not only as commodities but in terms of value. In simple language it means that, under a socialist commodity economy, management of state-owned assets refers to the management of asset value and capital rather than the management of material forms and asset value. This represents a fundamental change of concept. Only when we have changed our concept will we be able to find a method of managing state-owned assets which meets the objective requirements of a socialist commodity economy.

The management of state-owned assets as commodities and in value terms means management according to the capital mechanism, which will inevitably bring about a series of conceptual and management changes. The following are a few cases in point.

1. Safeguarding assets

State-owned assets refer to public property owned by the whole people. They are sacred and inviolable and must be strictly safeguarded. It goes without saying that efforts must be made to eliminate loss of and damage to these assets. If state-owned assets are seen as material forms only, safeguarding them is simple. All that needs to be done is to protect the factory premises and equipment against damage and loss. It is something else if they are seen in value terms and regarded as capital. Value is dynamic and constantly changing. As capital, the central issue is how assets should be managed and increased quantitatively.

For instance, when we talk about the value of state-owned assets, we cannot simply talk about the original value, or net value. For one thing, economic development and price fluctuation will precipitate changes in value. Then there is the question of invisible depreciation. Soundness of material form alone cannot accurately reflect the real value of assets. Obsolete equipment is not worth anything if it is technically outmoded. Obsolete and aging equipment poses a serious problem to our industrial development. Statistics show that of the equipment used in our key industrial enterprises, 13 percent is up to international advanced standard, 22

percent is up to the domestic advanced standard, 47 percent is of average domestic standard, and 18 percent is considered obsolete and backward. It can thus be seen that mediocre and obsolete equipment constitutes a large percentage. Such equipment has not been eliminated or updated. Although it is still listed on the books it has ceased, or will soon cease, to exist as such. If assets are viewed in value terms, there is the question of asset evaluation on the basis of their actual economic benefits. Certain equipment, say a 10,000-ton hydraulic machine, is only used a couple of times a year. Although it is a valuable piece of equipment, its utilization rate and economic returns are very low. Hence we say it has a low real value. Some items are actually burdens.

Next, safeguarding assets also involves the question of depreciation. The direct economic significance of depreciation lies in the recovery of compensated asset value for the upkeep of equipment. It concerns the reproduction of assets on stock. Viewed in terms of the material form alone, it means restoring the use value through maintenance and repair to ensure normal operation. Viewed in value terms, however, it refers to more than just the compensation of value for the original equipment. We cannot simply keep "reproducing the same old thing over and over again." Rather, we must continuously update and renovate existing equipment. In order to meet the needs of rapid technological development and modernization, simple maintenance of material forms alone is not enough. We must proceed from the perspective of capital management, accelerate the rate of depreciation, and rely on continuous updating and transformation to maintain, and even to increase, the value of state-owned assets.

2. Leaving and selling assets and other questions relating to the transfer of property rights.

Under a commodity economy, owners may manage their own assets directly or have their property rights transferred through a variety of forms, such as leasing, contracting, trust, and sale. The criterion of selection lies in which form is most beneficial to the owner himself. However, under the conventional management system, an enterprise is not in a position to lease or sell the assets at its disposal. Since the reform, it can do so in principle but not all equipment can be leased or sold. If a factory is sold, particularly if it is sold to private interests, this will definitely invite reproach. People will ask: How can one sell state property? In point of fact, buying and selling under a commodity economy are exchanges of equal values. As long as the price is right, the selling of physical goods and the recovery of funds are in principle equal in amount. There is no loss of which to speak. It is rational to sell enterprises which are not suitable for operation by the state or are poorly managed by the state, recover the cost, and reinvest the money in projects that promise higher returns. Besides, the transfer of property rights sometimes serves the positive purpose of optimizing the economic structure. This involves conceptual changes. According to the concept of commodity economy, the vitality of capital lies in its quantitative

increase; the larger the profits, the greater its vitality. According to the concept of natural economy, wealth (including money) only refers to the absolute possession and storage of material forms. There is no question of turnover, input, or output. In asset management under the product economy in the past, we would rather let the assets stand idle than sell and utilized them to greater advantage. This in fact reflects the old concept of the possession and storage of material forms under a natural economy.

The question of the leasing and sale of state-owned resources is of special significance. State-owned resources refer to land, beaches and shoals, mineral resources, and so on. They are characterized by their finite nature, some being nonrenewable. Their value is not the result of labor and cannot be simply leased or sold for a price as general merchandise. In dealing with these, we have to do the reverse and fix the price according to the projected use value. In other words transfer payments, either in a lump sum or by installments, are to be determined on the basis of projected development returns. According to statistics, the price of land in China's economic development zones is extremely low. For instance, in a certain special economic zone, the average land price is only 0.5 percent that in Taiwan. In addition to the (rational) effects of China's economic development, an important reason for such a low land price is the lack of a development returns concept. Land is treated in the same way as general merchandise and this has enabled foreign businesses to buy large tracts of land and make fortunes by leasing them out in smaller lots at a high price. Similar situations are common occurrences in transfers involving the development of beaches and mineral resources (including the transfer of private undertakings and individually operated enterprises at home). It can thus be seen that the lack of value or capital management concept in relation to state-owned assets will cause us great losses.

3. Quantitative increase and accumulation of assets

As far as capital is concerned, it is perfectly justified to "use capital to seek profit" and "make big profits using small capital." In the management of socialist state-owned assets, should we strive to "make profit"? Does it matter whether the profits are big or small? How do we judge whether the profits are big or small? These are important theoretical questions. We often talk about increasing the value of state-owned assets and protecting them against inflation. Of course this is essential. The protection of value against inflation is not only an expression of the value of simple reproduction but also implies putting an end to losses. Increased value usually refers to an increase in the magnitude of the value of assets as a result of price fluctuation or maintenance. The dynamic observation of the asset stock is also necessary but, more important, is quantitative increase. Quantitative increase does not mean a simple increase in the magnitude of value; it means a quantitative increase in value through the management of assets. Marx vividly

described profit created by capital as "the son of capital." The aim of capital investment is to seek average or super profit. The desire to seek super profit is the force that compels enterprises to adopt new technology, reduce costs, and strengthen operation and management. Should we go after average or super profit? In other words, should we stress investment returns in the management of state-owned assets? If profit is taken as the "price" for the use of capital or assets then, according to the rules of commodity exchange, it is perfectly justified to go after optimum prices for commodities and the maximization of profits in the turnover of capital. Private capital under capitalism and our state-owned assets both chase profits. The only difference is who owns these profits. Since returns on state-owned assets belong to the state, what is wrong with going after a better profit rate? When we talk about the management of assets, we must pay attention to both operation and management. The fundamental issue here is quantitative increase. This is an important objective in the management of state-owned assets.

We cannot talk about quantitative increase without talking about accumulation. Accumulation is the source of social progress. It refers to the reinvestment of profits, or the capitalization of profits. The question at issue is how to handle the accumulation mechanism in our state-owned enterprises. Under the present system, state accumulation forms the mainstay because all or most of the profits of state-owned enterprises are handed over to the state. The enterprises themselves do not have a self-accumulation mechanism. If our enterprises, as economic cells, do not have a self-accumulation and self-expansion mechanism, this will pose an immense obstacle to enlivening the enterprises and will invariably affect the speed and scale of the quantitative increase in state-owned assets. This, in turn, will adversely affect the consolidation and development of the public ownership system. Since implementation of the reform policy, the party Central Committee has been stressing the need to follow the road of expanding reproduction by intensive means, but has still not properly resolved the question of self-accumulation in the enterprises' operating mechanism. This is a major flaw in our management of state-owned assets.

4. Building up and concentrating assets

There is also the question of the buildup and concentration of capital. Capitalist production and concentration are realized through the buildup and concentration of capital. Does this also apply to socialist state-owned assets? The need to modernize enterprises and to bring about economies of scale and the intensification of market competition both demand the concentration of production and the optimization of organization. The buildup and concentration of capital thus becomes a necessity. This is also the case with the socialist economy. However, as the buildup of capital (assets) means the self-expansion of individual capital, and our state-owned enterprises do not as yet have a self-accumulation mechanism, this is not readily attainable

at this stage. The concentration of capital is realized through the takeover of small capital by big capital or through the amalgamation of capital. In order to expand production and operation to scale, it is not sufficient just to rely on self-accumulation. We must also promote the concentration of the existing stock of capital. This is where the shareholding system comes in. The call to develop enterprise groups reflects this objective requirement. However, in our country, the question of the integration of assets has yet to be tackled. The reason why this question has remained unsolved is that relationships of administrative subordination have prevented the integration of assets. Relying on administrative orders to transfer assets is not akin to the commodity economy and will meet with a lot of obstruction. In order to manage state-owned assets as commodities, we should allow them to circulate. The shareholding system is our only option if we want to do away with administrative subordination relationships with respect to assets and bring about the rational circulation of the asset stock.

5. Giving full scope to the functions of state-owned assets

From the perspective of use value, the only function state-owned assets have lies in their actual usage. Hence, a given quantity of assets can only produce a given effect. Assets worth 1 million yuan can only produce 1 million yuan's worth of effect. If we give up this concept and basing ourselves on the functions of capital, adopt the shareholding system and let state-owned capital play the role of controlling shares, it will be possible for a given amount of state-owned capital to activate a larger quantity of capital, thereby greatly increasing the functions of state-owned assets. There are diverse economic sectors and large quantities of idle funds in this primary stage of socialism. If holding companies are set up with state-owned capital to absorb capital not owned by the state, then a given amount of state-owned capital, say 1 million yuan, can produce the effect of 1.5 million yuan or more. This is the "magnified effect" of capital and is also something to be taken into consideration in the management of assets. The concept of treating state-owned assets as commodities and in terms of value is not a theoretical breakthrough. It only reflects an objective requirement for, and an inevitable trend in, the management of assets under a socialist planned commodity economy. Only when we have switched to this concept will we be able to establish a new pattern and charter a new course diametrically different from the past.

Under a socialist planned commodity economy we must first tackle the question of the separation of "administration" and "capital" in the management of state-owned assets. The principle of "separating government and enterprise functions" was put forward some years ago but, so far, the relevant reforms have not yet produced the desired results. There are many reasons for this but the key lies in the fact that "administration" and "capital" have not yet been separated. In other words, the administrative management of enterprises by the state and the management of assets by the whole people

in their capacity as owners have yet to be separated. The competent departments of enterprises are at once the "mother-in-law" (administration) and the "boss" (asset manager). Under this system, it is by no means easy to ultimately separate government and enterprise functions. Some people summarized "the separation of administration and capital" as "one government, two fronts." That is, there should be two "fronts" in the government's economic management: one for dealing with general administrative matters and the other for dealing with the management of state-owned assets. It is only on the basis of the separation of these two "fronts" that we can properly work out a system for the management of state-owned assets.

In order to manage state-owned assets according to the concept of treating them as commodities and in terms of value, we must first address the issue of assets as the operator of commodities. An inevitable step is to establish investment companies, or enterprise groups, which function like consortiums, as operators of state-owned assets.

These investment companies may be run by the state (central authorities) or by local authorities and may be comprehensive or specialized in nature. The task of these companies is to implement the state's industrial policies while stressing investment returns. They must fulfill the prescribed profit rate on capital and combine investment policies with investment returns.

Different types of investment companies may be set up for different enterprises and establishments. For instance, different investment companies may be set up for public utilities not primarily concerned with profit-making and for enterprises whose objective is to make profits. The assessment indicators for the profit rate on capital and other requirements for these companies should also be different.

These investment companies should naturally be managed by the state but this management should also be separated from the state's general administration and management by trades. As the subject of investment, an investment company must bear investment risks and go after investment returns. As an enterprise for the management of assets it should also ensure financial self-circulation and assume sole responsibility for profit and loss just like any other ordinary enterprise, otherwise its hope of striving for investment returns will fall through. Thus, as far as the management of state-owned assets is concerned, we must properly handle the relationship between state-owned asset management departments, investment companies, and enterprises receiving investment. The specific idea is as follows:

I. Establishment of state-owned asset management departments by the state.

The central and local governments may set up separate organs for the management of state-owned assets. These will be administrative organs rather than economic entities. Their task will be to plan investment and examine

and approve proposals for the establishment of investment companies according to the state's industrial policies and state plans.

They are to hand down investment return indicators, such as profit rate on capital, to different types of investment companies already set up and assess their performance. They will also calculate statistics in respect of the management, maintenance, quantitative increase, and so on, for state-owned assets, carry out supervision, and perform other functions.

In order to manifest the nature of state-owned assets as assets owned by the whole people, we must also consider the possibility of setting up a state-owned asset management committee under the National People's Congress and people's congresses at various levels to supervise the operation and management of state-owned assets. Government state-owned asset management departments should be answerable, not only to their respective governments but also to the relevant committee under the people's congress.

II. Establish investment companies of various types at different levels.

As noted above, investment companies are economic entities. To set up these companies, we may consider defining the property rights of assets owned by existing enterprises. On the basis of clarifying and reassessing the source and share of original investment, assets may be transferred to an investment company. Another possibility is to raise the necessary funds through the shareholding system. The task of these companies is to carry out effective investment in accordance with the government's investment policies and on the basis of demonstration and proof on investment returns and feasibility. Based on the principle of "whoever invests benefits and bears responsibility," they will receive their earnings or make good the losses according to their share of investment. They will be responsible for managing existing stock in state-owned assets and reinvesting the returns on investment.

Investment companies of various types and at various levels should be allowed to invest beyond the limits of their respective regions or trades and to manage their own affairs in order to facilitate the rational circulation and necessary concentration of capital factors. The state may guide the investment orientation of these companies in the light of the needs of economic development, as well as the requirements of optimum industrial and regional structures, through the formulation of industrial policies and investment plans and the use of economic levers.

III. Relationship between investment companies and enterprises receiving investment.

The setting up of investment companies creates an intermediate link which doubles as the owner of state-owned assets between various government departments and the production enterprises, thereby breaking down

the direct administrative ties which formerly existed between administrative organs and production enterprises. The relationship between investment companies and enterprises receiving investment is based on property rights rather than administrative subordination. According to the practice of shareholding companies and enterprises, they acquire partial or controlling shares in enterprises in which they invest but do not directly intervene in the day-to-day production and business activities of these enterprises.

Generally speaking, investors in enterprises are diversified under the shareholding system. As a shareholder, an investor has shareholding rights in proportion to his share of investment. He exercises his rights as a shareholder and does not own the assets as in the case of sole proprietorship. In addition to obtaining shareholding right income in proportion to his number of shares, the rights of a shareholder also include the right to attend shareholders' meetings to decide on the development of the enterprise and to appoint representatives or directors to the board of directors. The chairman, who is elected by members of the board, exercises the power of operation, decides on major strategies, and appoints the general manager and other senior management personnel through the board of directors. In other words, investment companies, including many other subjects of investment, invest capital in enterprises, after which the capital becomes the corporate property of the invested enterprises and is managed by the corporate body (board of directors) of these enterprises. For their part, enterprises carry out business operations using their corporate property and assume sole responsibility for their own profit and loss. Corporate property rights and obligations are independent. If the investment company owns the greatest number of shares, it may play its role as a controlling shareholder, but even so it cannot directly intervene in the production and business activities of the invested enterprises, since all major policy decisions have to be approved by the board of directors. The diversity and diversification of investors mean that there will be large numbers of small shareholders, who show their intention and influence on the operation of their enterprise through the board of directors, primarily through share transactions, that is, by "voting with their feet." It is even less likely that they can directly intervene in the operation of the enterprise. Only in this way can enterprises be completely free from administrative ties and from random administrative intervention and, only in this way, can they truly become independent commodity producers and operators and assume sole responsibility for their own profit and loss.

Apart from exercising regulation and control through policies, decrees, general commercial and industrial administration, and economic levers, state administrative departments can only exercise indirect management in the true sense of the word by exerting influence over enterprises through the intermediaries of investment companies.

We have only outlined the framework for the management structure between the state, the investment companies, and enterprises. On this basis, efforts still have to be made to study and work out the specific details regarding the shareholding system with public ownership as the mainstay, the new property rights system, and the enterprise operation mechanism. It is impossible to detail everything here.

Statistics Show Normal Economic Growth for Jan-Apr

OH 180511291 Beijing XINHUA Domestic Service in Chinese 0706 GMT 16 May 91

[By reporter Wu Shishen (0702 1102 3234)]

[Text] Beijing, 16 May (XINHUA A)—It has been confirmed by information from the State Statistical Bureau that major indices of our national economy for January through April reached or approached those for the same period in normal years. This indicates that the adjustment and retrenchment policies and measures put into force by the State Council last year produced remarkable results, and economic growth entered a basically normal stage.

During the period from January through April, industrial production, an indicator of basic economic growth, showed an appropriate increase, and there was a new change in product mix. Rolled steel, nonferrous metals, sulfuric acid, and chemical fertilizers continued to maintain a relatively high growth rate.

The market, as a barometer of the economy, showed a "sunny but occasionally cloudy" weather. Total retail sales of commodities rose by 13.9 percent from January to April. Not only did this change the negative growth experienced during the last two years' corresponding periods, but after adjustment for inflation, the actual growth rate was close to the level for the corresponding periods of 1987 and 1988—an indication that the market condition changed from revival to a steady growth.

The market remained relatively stable. Despite the increases in grain and edible oil prices, no big fluctuations appeared on the market. Most people showed an understanding and approval of the price adjustments. However, some people expressed concern over the chain reaction and the "catching up" price hikes that might be touched off by the price adjustments. According to statistics, the price level for living expenses of staff members and workers in 35 big and medium cities rose 5.6 percent from January to April. But the rise was uneven and there were ups and downs. The figures for Guangzhou and Haikou dropped somewhat. In Beijing, the rise was as much as 12 percent.

Investment demand continued to increase with the arrival of the busy construction season. For the period from January through April, the fixed asset investment made by state-owned units rose 13.8 percent compared with last year's corresponding period. What is gratifying

is that investment in updating and upgrading projects grew faster than investment in capital construction; that is, the structure of investment was adjusted. According to analysis, it was normal that investment in the entire society picked up to a certain extent after two years of decline.

Statistics show that our country's imports and exports continued to become vigorous, and the financial and monetary situation remained stable during the first four months of this year. A comprehensive appraisal made by the State Statistical Bureau in accordance with international practice shows that the operations of our national economy at present are in the "yellow light" region, that is, basic stability. At present, major striking problems are that some enterprises lack vitality, their economic efficiency is low, and their financial situation is rather difficult.

PROVINCIAL

Anhui 1990 Statistical Communiqué

GUOJIANHUO HETU ANHUI RIBAO in Chinese 3 Mar 91 p 4

[Article "Anhui Provincial People's Government Statistical Bureau Statistical Communiqué on 1990 National Economic and Social Development"]

[Text] During 1990, Anhui Province diligently implemented a series of policy measures of "adherence to total control in the readjustment of retrenchment dynamics" under leadership of the provincial CPC committee and the Provincial government for marked accomplishments. Prices were effectively controlled, economic strength increased further, and certain achievements were made in various social endeavors including education, science and technology, culture, health and sanitation, and physical education. The overall situation continued to develop in good directions. GNP for the year totaled 58.8 billion yuan in a 3.5 percent rise over 1989, national income was 51.5 billion yuan, up 3.5 percent from 1989, and gross social output value was 119 billion yuan in a 4.5 percent increase over 1989. In economic development, finished products accumulated in inventory, returns slid, and government financial difficulties continued prominent as latent inflationary pressures increased. While persevering in and improving total control during the new year, a moderate amount of economic growth was maintained, reform was further deepened, efforts were made to readjust the structure, and economic returns were improved, setting the stage for a benign cycle in the national economy.

1. Agriculture

During 1990, Anhui Province further deepened rural reform, increased investment in agriculture, and actively developed scientific and technical campaigns to invigorate agriculture. In agriculture, an all-around bumper crop was harvested, gross rural social output value for

the year at current prices amounting to 63 billion yuan in an 8.5 percent increase over 1989, including a gross output value of 26.47 billion yuan for rural industry, the building trades, the transportation industry, and for business and the food and beverage industry, for a 10.8 percent increase over 1989. This represented an increase from 41.1 percent in 1989 to 42 percent of rural gross social output value. Township and town enterprises realized a gross output value of 27 billion yuan, up 12.9 percent from 1989.

Farming, forestry, animal husbandry, sideline occupations, and the fishing industry all showed growth. The 1990 gross output value of agriculture for the whole province figured at 1980 constant prices was 17.3 billion yuan, up 3.8 percent from 1989. This included a 4.6 percent increase in the output value of the farming industry, a 4.4 percent increase in the output value of animal husbandry, a 2.7 percent increase in the output value of sideline occupations, and a slight increase in the output value of forestry and the fishing industry.

Outputs of grain and cotton set an all-time high. In 1990, the province's gross output of grain totaled 24,572,000 tons, up 1.3 percent from 1989. Gross output of cotton totaled 236,000 tons, up 39.1 percent from 1989. Outputs of most agricultural products, including flue-cured tobacco and silkworm cocoons maintained growth momentum. However, some agricultural products did not move well, and the price scissors between industrial and agricultural products increased.

Outputs of principal agricultural products were as follows:

Outputs of Principal Agricultural Products

Product	1990	1990 Vs 1989 Percentage Increase
Cold-bearing Crops	1,291,000 tons	27.0
Including: Peanuts	262,000 tons	3.0
Rape Seed	454,000 tons	3.0
Sesame	73,000 tons	24.2
Flue-cured Tobacco	75,000 tons	9.7
Sugarcane	87,000 tons	2.9
Tea and Ambars	163,000 tons	17.4
Hemp	19,000 tons	27.5
Silkworm Cocoons	54,000 tons	4.2
Fruit	270,000 tons	2.9

A total of 124,000 hectares in the province were afforested, up 45 percent from 1989; outputs of raw lacquer, tea oil seeds, tung oil seeds, and walnuts declined.

Hog production was rather good. The number of hogs removed from inventory, the number remaining in inventory, and output of pork, beef, and lamb all

increased over 1989. Figures for principal livestock product output and numbers of livestock are as follows:

Output of Main Livestock Products and Numbers of Livestock

Product	1990	Percentage Increase in 1990 vs 1989
Pork, Beef, and Lamb Output	976,000 tons	8.0
Including Pork Output	848,000 tons	6.3
Beef Output	98,000 tons	28.5
Lamb Output	30,000 tons	0.5
Cow's Milk Output	25,000 tons	-4.4
Sheep Wool Output	71.3 tons	-10.3
Porkers Removed From Inventories	10,327,000	5.0
Year-end Hogs in Inventories	12,410,000	2.9
Including Breeding sows	730,000	-1.0
Year-end Sheep	3.98 million	-9.0
Year-end Draft Animals	5,363,000	-0.7

Fishing industry production developed fairly rapidly. Aquatic products output for the year totaled 291,000 tons, up 9,000 tons from 1989 in a 3.2 percent increase.

Agricultural production conditions improved. By the end of 1990, total farm machinery power in the province was 13,073 million kilowatts, up 6.8 percent from 1989. The province had 581,000 tractors of all kinds, up 12.6 percent. Farm trucks numbered 26,000, up 2.9 percent. The machine-farmed area for the year was 1,946 million hectares, up 29 percent. Chemical fertilizer use for the year was 1.44 million tons (scalar quantity), up 5 percent. Rural villages used 23.6 billion kwh of electricity, up 9 percent.

2. Industry

During 1990, Anhui Province encountered difficulty upon difficulty including a halt or semi-halt to production in some industrial enterprises, a market slump, a funds shortage, and a rise in prices of coal and electric power. The province diligently put into effect the slight readjustment measures that the State Council proposed, readjusted the dynamics of macroeconomic regulation and control, put into effect a "double guarantees" policy in large- and medium-sized key enterprises, and also took a series of positive actions to spur markets and enliven the flow of commodities. In the course of overcoming difficulties, industrial production gradually rallied. Gross industrial output value for society as a whole for the year reached 457.3 billion yuan, up 7.7 percent from 1989. This included an output value of 24.4 billion yuan for industries under ownership of the whole people, up 3.8 percent from 1989, an output value of 1.28 billion yuan for industries under collective ownership, up 10.5 percent, and a nearly 200 million yuan output value for

industries in other economic categories. The output value of village-operated and city and countryside cooperative ventures, and individually owned industries was 9.9 billion yuan, up 14.7 percent.

The industrial product mix improved. Among industries at the township level and above, light industrial output value was 20.4 billion yuan, 6.4 percent more than in 1989, and heavy industry output value was 17 billion yuan, up 5.4 percent. A large number of new products were put on the market, and production of major raw and processed materials and energy was fairly good.

Outputs of principal industrial goods were as follows:

Output of Principal Industrial Goods

Product	1990	Percentage Increase 1990 vs 1989
Cotton Yarn	175,000 tons	-2.7
Cotton Cloth	673.11 million meters	-8.9
Machine-made Paper and Paper Board	384,000 tons	6.2
Cigarettes	2,101 million cases	-0.5
Bicycles	703,000	-13.7
Sewing Machines	223,000	0.5
Watches	1,416 million	27.6
Television Sets	726,000	8.6
Household Washing Machines	340,000	21.1
Household Refrigerators	345,000	32.8
Electric Fans	1,117 million	6.6
Raw Coal	32,054,000 tons	2.9
Electric Power Output	19,427 billion kwh	12.4
Including Hydrogen	1.33 billion kwh	15.8
Steel	2,401,000 tons	12.2
Processed Steel	1,883,000 tons	9.5
Machine-made Coke	2,807,000 tons	6.4
Sulfuric Acid	663,000 tons	19.4
Soda Ash	46,000 tons	-10.0
Caustic Soda	79,000 tons	-8.8
Chemical Fertilizer	1,086,000 tons	9.2
All Timber	504,000 cubic meters	11.5
Cement	8,826,000 tons	8.2
Plate Glass	1,574,000 cases	-10.2
Motor Vehicles	2,837	-40.1
Internal Combustion Engines of commodities Amounts	1,913,000 kwh	-0.5
Large and Medium Tractors	100	-72.4

Enterprises' economic returns fell. In 1990, budgeted industrial enterprises throughout the province realized profits and taxes of 1.79 billion yuan, 30.9 percent less than in 1989. At the end of the year, 30.4 percent more capital was tied up in unsold finished goods than in 1989, the circulation of quota circulating funds was 17 days slower than in 1989, and profit and taxes per 100 yuan of capita was 7.50 yuan less than in 1989.

Remarkable achievements were scored in energy conservation and lowering consumption. Total energy consumption in industrial enterprises at the country level and above throughout the province was 5.14 tons of standard coal per 10,000 yuan of output value in a 2.5 percent annual energy saving rate that saved approximately 418,000 tons of standard coal. This included 194 major energy consuming enterprises that consumed more than 50,000 tons of standard coal each year. This reduced their total energy consumption by 1 percent per 10,000 yuan of output value over 1989 for a saving of approximately 117,000 tons of standard coal for the year.

Industrial product quality improved. During 1990, the quality of 80.4 percent of major products steadily improved by 3.6 percent over 1989. For the year as a whole, nearly 1,500 new products were developed, 416 of them reaching advanced domestic standards, and 48 reaching the advanced international level. Twelve of the province's products were awarded premium product awards, including four gold medals. This was an all time high for awards in the province.

3. Investment in Fixed Assets and the Construction Industry

During 1990, Anhui province scored definite accomplishments in readjustment of the structure of investment in fixed assets, and in doing more key construction. Investment in city and countryside fixed assets for the year was 12.22 billion yuan, 900 million yuan more than in 1989 for an 8.3 percent increase. This included an investment of 6.5 billion yuan investment in units under ownership of the whole people, an investment of 1.26 billion yuan in city and countryside collectively owned units, and a 4.46 billion yuan investment by city and countryside individuals. Of the investment in fixed assets of units under ownership of the whole people, 3.85 billion yuan, or 8.9 percent more than in 1989, was invested in capital construction.

The investment mix improved. Of the investment in units under ownership of the whole people, investment in agriculture, raw and processed materials and transportation, and posts and telecommunications totaled 4.06 billion yuan in a 0.4 percentage point increase over 1989. This included a 350 million yuan investment in agriculture, maintaining the same level as 1989 as a percentage of investment in units under ownership of the whole people. Investment in energy totaled 2.01 billion yuan,

up 2 percentage points from 1989. Investment in transportation and in posts and telecommunications totaled 870 million yuan, up 1.7 percentage points.

More key construction was done. A total of 1.64 billion yuan was invested throughout the province in 25 key construction projects. This included the investment of 980 million yuan in seven central government projects, and 660 million yuan in 18 local government projects. In addition, a number of key projects such as the Wuhu Zhujia Bridge foreign trade wharf, the Dingyuan Salt Mine, the Lei-Fu Railroad, the Tongling Power Plant's No. 2 generating unit, and the Fengtai-Huairu Highway continued to be built or went into service, further expanding the province's economic strength.

A total of 910 capital construction projects were completed and went into service with 2.34 billion yuan of new fixed assets. A total of 2.35 billion yuan was invested in the renovation and technical transformation of units under ownership of the whole people, up 1.4 percent from 1989. This included an 890 million yuan investment to increase production capacity, up 4.2 percent, and a 200 million yuan investment for improvement of product quality, up 46.4 percent. During the year 705 renovation and technical transformation projects were completed and went into production with new assets totaling 1.89 billion yuan in value.

Reform of the construction industry steadily deepened. Local government construction and installation enterprises under ownership of the whole people worked on 1,901 projects under various forms of contract responsibility systems. They constructed 2,933 million square meters, or 72.9 percent, of total area construction. This included 584 unit projects covering a 1.436 million square meter construction area for which contract tenders were submitted, which was 35.7 percent of the total area constructed. The construction industry completed units under ownership of the whole people having a gross output value of 2.72 billion yuan, up 10.3 percent from 1989. The all-personnel labor productivity rate figured in terms of gross output value was 11,554 yuan per capita, up 10.6 percent from 1989.

New advances were made in geological survey and prospecting work. Industrial mineral deposits were newly found or verified at 10 locations, five sites were referred for detailed examination, and major progress was made in 12 mineral prospecting areas. Minerals for which reserves were newly verified included copper, gold, iron, graphite, and antimony [0425 (1990)]. A total of 116,000 meters of rock cores were drilled, and 600 meters of pits were prospected.

4. Transportation, Posts, and Telecommunications

Communication and transportation capabilities improved. In 1990, the province had 30,126 kilometers of highways open to traffic in a 51 kilometer increase

over 1989. This included 27,116 kilometers of all-weather highways, and 5,527 of navigable inland waterways.

Transportation equipment of all kinds from local transportation units (including the organization of other units) turned over 9.07 billion ton kilometers of freight, down 9.3 percent from 1989. This included a turnover volume of 3.21 billion ton kilometers of highway freight, up 2.2 percent, and 5.86 billion ton kilometers of water freight, down 14.0 percent. Transportation equipment of all kinds from local transportation units turned over 10.47 billion passenger kilometers, down 1.5 percent from 1989. This included a highway passenger turnover volume of 10.4 billion passenger kilometers, down 1.5 percent, and a water transportation passenger turnover volume of 70 million passenger kilometers.

Posts and telecommunications saw sustained development. During 1990, posts and telecommunications business volume totaled 182,862,000 yuan, up 17.7 percent from 1989. Letters declined 10.8 percent, the aggregate number of subscription magazines increased 6.8 percent, telegrams declined 8.5 percent, and long distance telephone calls increased 38.5 percent. As of the end of the year, 136,000 customers within the city had telephone service, and rural subscribers numbered 32,600 at year's end, up 21.5 and 9.2 percent respectively over 1989.

5. Business and Materials Supply

Social commodity retail sales for the year totaled 27.71 billion yuan in a 0.7 percent increase over 1989. After deducting for price increases, sales volume actually fell 1.2 percent. During the first three quarters of the year, commodity retail sales fell in a straight line, but the fourth quarter showed a rallying trend. Retail sales of consumer goods accounted for 22.65 billion yuan of the total volume of social commodity sales, up 0.9 percent from 1989. This included 1.8 billion yuan in retail sales of consumer goods to social groups, up 8.8 percent from 1989. Retail sales of the agricultural means of production totaled 5.06 billion yuan in a 0.3 percent decline.

A look at the consumer goods retail market in cities and the countryside shows a 3.4 percent rise over 1989 in city retail sales for the year, including a 10.9 percent increase in the fourth quarter. Markets at the county level and below began to rally in October, but retail sales volume for the year as a whole still fell 1 percent.

A look at retail sales volume for principal social commodities shows sales of commodity food were stable, but sales of grain, edible vegetable oil, and spirits increased over 1989. In the clothing and commodities used in daily life category, color television sales increased 21.2 percent, sewing machine sales increased 8.0 percent, soap and washing powder increased 2.2 and 3.3 percent respectively, and retail sales volume of most commodities, including various kinds of cotton cloth, wooden fabric, silks and satins, wristwatches, bicycles, tape recorders, washing machines, electric refrigerators, and black and white television sets, fell in varying degrees.

Commodity retail sales volume by economic category showed a 2.5 percent rise for units under ownership of the whole people, a 3.7 percent decline for units under collective ownership, and an 8.1 percent decline for units under supply and marketing cooperative ownership. Cooperative venture sales increased 27.4 percent, and individual sales increased 3.0 percent. Volume of peasant sales to nonagricultural residents increased 6.9 percent.

In 1990, goods and materials unit retail sales volume in the province reached 5.067 billion yuan in a 2.6 percent decline from 1989. Materials trade center business volume totaled 282 million yuan, down 44.0 percent from 1989. A total of 830,000 tons of processed steel was sold through the materials system in a 13.2 percent rise over 1989. Coal sales of 9.25 million tons increased 1.0 percent over 1989. Sales of electromechanical equipment totaled 910 million yuan, down 3.2 percent from 1989.

Inflation was brought under control, and retail sales prices were fairly stable. In 1990 the overall retail sale price level for the province rose 1.9 percent, the lowest rise in retail prices since 1985. As between city and countryside, prices in cities and towns rose 1.2 percent, and 2.6 percent in villages. In terms of commodities, food prices rose 0.4 percent, with a 2.9 percent decline in aquatic products, an 0.8 percent decline in meat, poultry, and eggs, and an 8.1 percent decline in fresh vegetables. Clothing prices rose 7.8 percent, prices of articles used in daily life rose 2.8 percent, pharmaceuticals and medical treatment items rose 4.5 percent in price, fuel prices rose 11.4 percent, books, newspaper and magazine prices rose 3.1 percent, and agricultural means of production prices rose 3.9 percent.

During 1990, the overall price level of items that staff members and workers consume in their daily life rose 2.7 percent over 1989.

6. Foreign Trade and Tourism

During 1990, the provinces' foreign trade exports steadily increased and imports declined. The province's foreign trade imports and exports totaled \$737 million, up 6.7 percent from 1989. This included exports totaling \$654 million in a 14.8 percent increase over 1989, and imports totaling \$830,000 in a 31.6 percent decline. Among export commodities, agricultural by-products accounted for \$16 million, light industry products for \$326 million, and heavy industrial products for \$168 million.

During 1990, the province used \$80.27 million in foreign capital including the borrowing abroad of \$36.73 million yuan, the taking in of \$9.61 million in direct foreign investment, and an additional \$39.3 million investment by foreign traders.

Fifty-three three kinds of partially or wholly foreign-owned enterprises were founded during the year, the most in any recent single year. Agreement was reached

on the investment of \$19.2 million of foreign capital, which was 3.1 times again the 1989 amount. Investors' actual investment amounted to \$9.61 million, double the 1989 amount. Exports from three kinds of partially or wholly foreign-owned enterprises were gratifying, amounting to a cumulative \$14.18 million in an 88.8 percent advance over 1989 for a 141.8 percent fulfillment of province plan, the highest level ever.

During 1991, Anhui Province signed 16 foreign contract project and labor cooperation agreements having a value of \$30.42 million. This equalled 75.6 percent of the seven-year cumulative figure for such agreements since their inauguration in 1983. Foreign contract projects and labor cooperation earned \$6.337 million for the year, up 7.2 percent.

International tourism also saw appreciable expansion. Tourism units received a total of 115,000 foreigners during the year including tourists, visitors, sightseers, people visiting relatives, and those engaged in various exchange activities, as well as overseas Chinese and compatriots from Hong Kong, Macao, and Taiwan. This was three times the figure for 1989. Foreign exchange earnings from tourism totaled \$5.856 million, up 1.8-fold.

7. Education, Science and Technology, and Culture

Students in all types of schools at all levels throughout the province numbered 8.865 million. This included 620,000 in institutions of higher education, 82,000 in specialized intermediate schools in a 2.702 increase, 163,000 in agricultural schools, up 8.103, 44,000 in technical schools, and 2.182 million in ordinary middle and primary schools. Adult education at all levels continued to advance with 51,000 adults enrolled as undergraduates in institutions of higher education or in specialized schools. Adults in specialized middle schools numbered 53,000, adults in middle schools numbered 24,000, adults in technical training schools numbered 324,000, and adults in primary schools numbered 862,000.

Science and technology moved ahead steadily making new contributions to the building of the economy. In 1990, the province had 196 natural science research institutions under ownership of the whole people, under prefecture or municipal government or higher administration, with 14,000 scientific and technical personnel. Scientific and technical achievements registered numbered 4,452. Of the scientific research projects that were either independently completed or completed in cooperation with other provinces, two received national awards for scientific and technical progress, two received provincial awards for scientific and technical progress, and 40 received provincial spark awards.

Cultural endeavors proliferated. In 1990, the province had 4,275 film projection units of all kinds, 14 mass arts and crafts studios, 103 cultural palaces, 84 public libraries, 26 museums, 116 archives containing 2.205 million files of data, 15 radio broadcasting stations, 18

radio broadcasting transmitters and relay stations, and 20 television stations. It published 50,752 copies of newspapers, 18,256 million copies of magazines, and 186 million books. Radio broadcasts reached 82.5 percent of the province's population, and television broadcasts reached 79 percent.

8. Health, Physical Education and Environmental Protection

Health programs continued to develop and medical treatment conditions improved further. As of the end of 1990, the province had 7,336 health organizations of which 3,128 were hospitals. Medical treatment institutions of all kinds at all levels had a total of 108,800 beds, 1,359 more than in 1989. This included 95,800 hospital beds, up 1,532. Professional medical personnel numbered 135,700, up 1.9 percent from 1989. This included 59,000 medical doctors, up 1.8 percent, and 32,000 attendants and nurses, up 4.3 percent.

New achievements were scored in physical education. During 1990, the province's athletes took 40 gold medals, 25 silver medals, and 20 bronze medals in major international and domestic competitions. The province's physical education contestants showed great tenacity winning 19 medals of all kinds, 12 of them gold. Throughout the province, 12.75 million people reached the national physical education toughening standard, twenty six of 495 rated athletes were of top-notch international stature, certified referees numbered 800, of which two were national-rank referees.

Environmental protection work saw further advances. In 1990, environmental protection organizations in the province numbered 180. The environmental protection system had 1,773 personnel, up 4.9 percent from 1989. This included 1,262 engineering technicians, 4.8 percent more than in 1989. During the year, 45 smoky city [vancheng 3533 1004] control areas covering a 183.8 square kilometer area were built, 10 rivers were brought under control over a distance of 106.7 kilometers, and 24 areas meeting none standards were established covering a 35.8 square kilometer area. A total of 310 million tons of industrial effluent was processed, and 350 million tons of industrial effluent reached standards. A total of 15,286 million tons of social industrial waste was processed, with multiple use made of 9,398 million tons of solid industrial waste.

9. People's Livelihood

A random sampling of city and town families showed city and town residents used 1,224 yuan per capita per year for living expenses in 1990, up 8 percent from 1989. After deducting for price increases, the actual increase was 5.2 percent.

A random survey of rural residents showed a net income of 539 yuan per capita in 1990 in a 23.90 yuan increase over 1989 for a 4.6 percent increase. After deducting for the rise in payments for commodities, the actual increase was 2.3 percent. Of the per capita annual 53.9 yuan net

income, 497.30 yuan came from production. Of the households surveyed, households having a net per capita income of 500 yuan or more increased from 48.2 percent in 1989 to 54.3 percent in 1990. Those having a per capita net income of more than 400 but less than 500 yuan declined from 22.8 percent in 1989 to 21.5 percent. Households having a per capita net income of more than 300 but less than 400 yuan declined from 18 to 15 percent; and those having a per capita income of less than 300 yuan fell from 112 percent in 1989 to 9.2 percent in 1990. This included 12.9 percent of peasant families whose average annual net income was still less than 200 yuan.

At the end of 1990, the province's residents had 16.1 billion yuan in savings accounts. This was 4.2 billion yuan more than at the end of 1989 for a 35.3 percent increase. This included city and town residents' savings of 11.6 billion yuan, up 37 percent; and rural residents' savings of 4.5 billion yuan, up 31.7 percent.

Employment increased. During 1990, a total of more than 200,000 city and town young people, other personnel, and state centrally assigned college and secondary school graduates were placed in jobs. By the end of the year, staff members and workers in the province totaled 4.836 million, up 51,000 from 1989. Staff members and workers in units under ownership of the whole people numbered 3.283 million, 8,000 more than at the end of 1989. This included 334,000 staff members and workers practicing the labor contract system, 25,000 more than at the end of 1989. Staff members and workers in city and town collectively owned units numbered 1.542 million, up 42,000 from 1989. People working for themselves in cities and towns numbered 357,000 at the end of the year, 3,000 more than at the end of 1989.

The total wage bill for staff members and workers for the year was 8.62 billion yuan (including a meat price subsidy), up 13.7 percent from 1989. This included 6.64 billion yuan in wages for staff members and workers in units under ownership of the whole people, and 1.96 billion yuan in wages for staff members and workers in collectively owned enterprises.

In 1990, the province's civil government maintained 56 social welfare homes, taking care of 2,185 people. Cities and the countryside collectively operated 2,247 old folks homes taking care of 21,600 yuan. The province collectively cared for 170,000 old people living alone, handicapped, and under-aged people.

Insurance developed further. In 1990, property insurance of all kinds totaled 81.96 billion yuan in a 17.2 percent increase over 1989. Throughout the province, a total of 18,000 enterprises had property insurance, 6.951 million households had family property insurance, and 10.976 million had health insurance. Insurance companies processed a total of 256,000 property claims in the province paying 150 million yuan in damages. They also paid 105 million yuan in health insurance claims.

City and countryside living conditions improved further. During 1990, construction of 41.943 million square meters of housing was completed, 38.494 million square meters of it in rural villages.

10. Demography

In 1990, the province's birthrate was 24.47 per 1,000, and its death rate 6.25 per 1,000 for an 18.22 per 1,000 natural rate of increase for a 0.53 percentage point increase over 1989. At the end of the year, the province had a population of 56.75 million, up 1.02 million in a 1.83 percent increase.

Note:

(1) Statistics given in this communique are preliminary statistics.

(2) The figures given in this communique for GNP, national income, and gross social output value are at current year prices, and the speed of increase is at comparable prices. The gross output value of industry and agriculture is at 1980 constant prices.

(3) The year-end total population figure for the province given in this communique is for resident population. The total population figure for the end of 1989 was adjusted on the basis of the fourth quarter census figure.

Fujian 1990 Economic Statistics

HK0105045591 Fujian FU JIAN RIBAO in Chinese 28 Mar 91 p 2

[Report: "Statistical Communique Issued by Fujian Provincial Statistical Bureau on 1990 National Economic, Social Development"]

[Text] In 1990 Fujian Province, under the leadership of the provincial party committee and government, further implemented the policy of economic improvement and rectification as well as deepening reform, and achieved remarkable successes. The national economy made sustained and stable development, foreign economic relations further expanded, the general price level remained stable and even dropped to some extent, investment in fixed assets increased, and new advances were achieved in the fields of science and technology, education, culture, public health, and sports. According to preliminary statistics, the GNP and national income for the year respectively reached 45 billion yuan and 38 billion yuan, up 6.3 percent and 6.1 percent over the previous year. The main problems in the economic operation are: enterprises' finished products were overstocked, economic results declined, and the agricultural foundation was still very weak.

I. Agriculture

In 1990, by conscientiously implementing the policy to stabilize agricultural production and guarantee a bumper harvest, the province created a better environment for agricultural production. Although hit by typhoons which

were rarely seen in history, agricultural production continued to grow thanks to the serious attention paid by the leadership, the support by the departments, and the joint efforts by all localities. The gross agricultural output value of the year was 22.869 billion yuan, an increase of 4.3 percent over the previous year. The output value of crop farming, forestry, and animal husbandry respectively increased by 2.6, 9.2, and 7.2 percent, that of sideline occupation dropped by 0.2 percent, and that of fishery was up 7.1 percent.

Of the major farm products, the grain output was 8.7964 million metric tons, basically reaching a record high; the output of oil-bearing crops, sugarcane, flue-cured tobacco, tea, and fruits all recorded increases in varying degrees, but the output of hemp, flax, and asparagus decreased. However, some agricultural products were held up in circulation, the price disparities between industrial and agricultural products somewhat widened, and the agricultural comprehensive productive capacity was still relatively low.

The output of major farm products was as follows:

	1990	percentage of increase over 1989
Oil-bearing crops	176,600 metric tons	4
of which peanut	160,800 metric tons	8
Rapeseed	15,200 metric tons	200
Sugarcane	3,442,800 metric tons	-
Flue-cured tobacco	42,600 metric tons	18
Tea	58,200 metric tons	5.4
Fruits	757,800 metric tons	8.4

Forestry production made new achievements. Newly afforested areas in the entire year totalled 317,200 acres, up 30.6 percent over the previous year.

Animal husbandry production developed steadily. The number of pigs slaughtered and in stock increased, and the output of meat, poultry, and eggs continued to grow.

The output of major animal products and number of livestock were as follows:

	1990	percentage of increase over 1989
Pork, beef, mutton	640,500 metric tons	1
of which pork	628,600 metric tons	-
Milk	48,000 metric tons	0.8
Eggs	129,400 metric tons	1.9
Pigs slaughtered	7,998,000 head	6.6
Pigs in stock	9,307,900 head	3.0

Fishery production made sustained growth. The annual output of aquatic products totalled 1,178.2 million metric tons, an increase of 5.1 percent over the previous

year. The output of fresh water and sea water aquatic products were respectively 94,800 metric tons and 1,083.4 million metric tons, up 4.3 and 5.2 percent, and the output of aquacultural products was 343,400 metric tons, up 2.6 percent.

Agricultural production facilities improved. By the end of 1990 the aggregate power of the province's farm machinery was 5.871 billion watts, an increase of 2.3 percent over the end of 1989; there were 147,400 small tractors, down 0.9 percent, and 13,300 farm-related trucks, up 3.9 percent; the amount of chemical fertilizers used (in terms of 100 percent effective content equivalent) were 763,900 metric tons, up 2.0 percent, and the electricity consumed in rural areas was 2,039 billion kilowatt-hours, up 1.7 percent.

The rural economy continued to develop. In 1990 the total output value of rural society was 44.63 billion yuan, an increase of 4.549 billion yuan over the previous year. Of this, the share of output value of rural industry, construction, transportation, commerce, and catering trade rose from 47.6 percent in 1989 to 48.8 percent. The total income of township and town enterprises totalled 25.07 billion yuan, up 12.8 percent over 1989.

II. Industry

Industrial production kept up its momentum of growth. In 1990 the province's gross industrial output value was 52.699 billion yuan, an increase of 12.5 percent over the previous year. The gross output of industrial production at and above the township level was 41,049 billion yuan, up 11.7 percent. The output value of superior industrial products and export products were respectively 6,137 and 8,785 billion yuan, up 32.7 and 48.4 percent. Of the total industrial output value, that of state-owned industry grew by 1.2 percent, collective industry by 7.0 percent, urban and rural cooperative and individual industries by 20.3 percent, and industries run by joint ventures, cooperative enterprises, and exclusively foreign-owned enterprises by 41.2 percent.

Industrial product mix somewhat improved. Light and heavy industrial output value for the year were respectively 32,883 and 19,816 billion yuan, up 15.1 and 7.9 percent. Production of raw materials and energy was fairly good but, affected by the changing market, production of most expensive consumer durables, as well as mechanical and electric products for investment purpose, declined. The progress of adjustment in industrial structure was slow and contradictions were still conspicuous.

The output of major products was as follows:

	1990	percentage of increase over 1989
Yarn	54,800 metric tons	11.2
Cloth	226 million meters	-4.2
Chemical fiber	31,500 metric tons	-
Sugar	126,300 metric tons	14.4

	1990	percentage of increase over 1989
Salt	672,100 metric tons	-26.0
Cigarettes	764,100 cartons	7.1
Beer	310,800 metric tons	11.9
Canned food	144,100 metric tons	-38.3
Machine-made paper and paperboard	920,900 metric tons	-0.5
Plastic products	172,000 metric tons	5.5
Bicycles	440,700	-2.8
Televisions	1,358,700 sets	14.1
of which color TV	1,231,400 sets	24.7
Video-cassette	10,100 sets	4.01 times
Household washing machines	1,600	69.8
Household refrigera- tors	45,000	62.0
Raw coal	9,253,700 metric tons	2.1
Electricity	13,665 billion kWh	5.5
Steel	516,600 metric tons	19.5
Pig iron	626,000 metric tons	29.0
Rolled steel	562,800 metric tons	15.4
Timber	4,242,200 cubic meters	unchanged
Cement	5,400,400 metric tons	8.1
Plate glass	660,600 weight cases	27.8
Sulphuric acid	241,800 metric tons	4.4
Soda ash	30,200 metric tons	31.9
Caustic soda	87,000 metric tons	0.5
Chemical fertilizers	436,400 metric tons	3.2
Chemical insecticide	7,100 metric tons	-25.4
Metal-cutting machine tools	1,294	-45.9
Motor vehicles	676	-57.9
Small tractors	15,200	48.3
Power-generating equipment	96,700 kilowatts	8.0

The economic results of enterprises declined. In 1990, the budgetary state industrial enterprises realized 1.84 billion yuan in profits and taxes, down 22.8 percent from the previous year. Of this, the realized profits dropped by 39.3 percent. Funds used for finished products totalled 2.107 billion yuan, up 17.7 percent; the turnover time for fixed circulating funds extended from 112 days to 136 days; profits and taxes realized from an average of 100 yuan in capital reduced from 21.93 yuan in 1989 to 15.10 yuan; cost continued to rise; that of comparable products increased by 1.63 percent; and the deficit amount of losing enterprises rose by 2.07 times, with 26.7 percent of enterprises operated at a loss.

The enterprise contract system became more perfect. By the end of 1990, 910 budgetary state industrial enterprises extended their contracts, accounting for 92.6 percent of the total number of contracted enterprises.

III. Foreign Economic Relations, Trade, and Tourism

New progress was made in the work of foreign economic relations and trade. The foreign trade departments adjusted the export structure and made efforts to expand export. Customs statistics showed that the province's total volume of imports and exports in 1990 amounted to \$4.346 billion, and exports totalled \$2.449 billion, an increase of 34.0 percent over the previous year.

In 1990 the province signed 1,043 new contracts for the utilization of foreign capital, amounting to \$1.236 billion, up 28.6 percent over 1989; the foreign capital actually used was \$380 million, down 2.9 percent over 1989. The absorption of Taiwan capital increased by a big margin. A total of 380 items, amounting to \$460 million, were absorbed during the year, up 90.1 percent over 1989. By the end of 1990, among the three kinds of enterprises that are partly or wholly foreign-owned in the province, 1,947 had gone into operation.

In 1990, the province signed new contracts for overseas construction projects and labor service cooperation amounting to \$176 million, down 5.6 percent over 1989; the volume completed was \$161 million, up 13.1 percent.

International tourism picked up rapidly. In 1990, the province received 707,900 overseas tourists for sightseeing, visiting relatives and friends, and trade negotiations, an increase of 40.3 percent over 1989. Among them were 362,800 Taiwan compatriots, an increase of 73.2 percent. The foreign exchange earned from tourism in the year totalled \$101 million, up 20.5 percent.

In 1990 the province examined and approved 56 contracts for the import of technology, amounting to \$29.82 million, up 6.4 percent over 1989.

In 1990, The Xiamen Special Economic Zone gathered great momentum in foreign economic development. Customs statistics indicated that the total volume of imports and exports for the whole year amounted to \$1.7 billion, up 25.4 percent over 1989, and exports totalled \$920 million, up 30.5 percent. The use of foreign and Taiwan capital centered around productive items. In 1990, 362 foreign capital utilization contracts, amounting to \$566 million, were approved and the foreign capital actually used totalled \$173 million. By the end of 1990, among the three kinds of enterprises that are partly or wholly foreign-owned, 506 had gone into operation.

The export-oriented economy in Fuzhou's Mawei economic and technological development zone made sustained advances. In 1990, the gross industrial output value of the entire zone reached 580 million yuan, up 25.1 percent over 1989. Of this, the output value of the

three kinds of enterprises that are partly or wholly foreign-owned totalled 416 million yuan, up 25.5 percent. Twenty-five foreign capital utilization contracts amounting to \$25.19 million were newly signed, up 35.8 percent; the foreign capital actually used totalled \$24.02 million, up 96.3 percent.

IV. Investment in Fixed Assets and Construction Industry

Fixed assets investment rebounded. In 1990 the province's completed investment in fixed assets was 10.827 billion yuan, an increase of 12.1 percent over the previous year. Of this, investment by state-owned units was 6.479 billion yuan, up 10.1 percent; that by collective units was 998 million yuan, down 11.7 percent; and that by individuals was 3.35 billion yuan, up 26.0 percent; newly started projects were put under control. There were 1,488 capital construction and renovation and transformation projects by state-owned units under construction in the year, 26 projects fewer than in the previous year.

Investment structure was further adjusted. In the fixed assets investment by state-owned units, investment in productive construction was 4.544 billion yuan, and the investment proportion rose from 77 percent to 78.7 percent; investment in nonproductive construction was 1.935 billion yuan, and the investment proportion declined from 23 percent to 21.3 percent. The investment in capital construction by state-owned units totalled 3.791 billion yuan, up 12.3 percent over the previous year. Of this, investment was up 19.8 percent in energy, up 36.8 percent in transportation and post and telecommunications, down 4.4 percent in culture, education, and public health, and up 38.8 percent in farming, forestry, and water conservancy. The investment in renovation and transformation totalled 1.657 billion yuan, up 7.4 percent over 1989.

Construction of key projects progressed smoothly. In 1990 the province completed investment in 14 key construction projects amounting to 1.301 billion yuan, up 28.2 percent over the previous year, fulfilling the annual plan by 103.7 percent. The Shuikou Hydropower Station project succeeded in damming the river as scheduled; the rerouting work of the Waifu Railway opened to traffic a year ahead of schedule; the Fujian Refinery project overfulfilled the year's construction plan in all aspects; the coal wharf in Fuzhou and the Shaxikou Hydropower Station's No. 4 generating unit were completed according to plan; Sanming Steel Works' coking furnace with 65 openings started its heating process. During the year there were 26 large and medium capital construction projects formally under construction, and four of them were wholly or partly completed and put into production in 1990.

The newly increased production capacity in capital construction included: 150,000 metric tons of coal mining, 124 km of electrified railway, 1.55 million metric tons in the handling capacity of newly built or expanded ports,

75,000 kilowatts of electricity, 344,000 metric tons of cement, 10,000 spindles of cotton spinning, and 73.5 km of newly built highways. The number of students enrolled: 3,200 in higher educational institutions, 6,500 in technical secondary schools, 150,200 in middle schools, and 206,100 in primary schools.

In 1990, the province's construction output value achieved by state-owned construction enterprises totalled 1.337 billion yuan, up 8.5 percent over the previous year and the per-capita labor productivity was 15,923 yuan, up 9.1 percent. Because of inadequate production assignments, the economic results of some construction enterprises were poor.

V. Transport, Post and Telecommunications

Communications and transport made steady development. The departments of communications and transport continued to tap internal potential and readjust transport structure. As a result, the strains on transport relaxed and the order improved to some extent. The volume of transport by various vehicles was as follows:

	1990	percentage of increase over 1989
Volume of freight		
transport	17 555 billion ton-km	-2.4
railway	10 401 billion ton-km	2.9
highway	952 million ton-km	-8.9
waterway	6 202 billion ton km	-9.3
Volume of passengers		
transport	10 579 billion person-km	-5.6
railway	3 813 billion person-km	-14.3
highway	6 517 billion person-km	0.4
waterway	249 million person-km	-5.0
Volume of air freight	15,000 tons	1.4
Volume of passengers		
by air	938,000 persons	31.2
Cargo handled at major coastal harbors	14 965 million tons	-7.3

The average daily work volume of railway departments' freight trains was 1,514 carriages, the same as in 1989; steam locomotives consumed 130.9 kg of coal per 10,000 ton-km, an increase of 3.8 kg over 1989. In highway departments, 5.8 liters of diesel oil were consumed per 100 ton-km, a decrease of 0.13 liter over 1989; in water transport departments, 9.3 kg of diesel oil were consumed per 1,000 ton-km, a decrease of 0.1 kg; the average annual output of coastal cargo ships was 26,600 ton-km per tonnage, a decrease of 5,100 ton-km over 1989. Owing to the rise of transport costs, the situation of poor economic results in transport departments still existed.

Post and telecommunications services made continuous advances. In 1990 the province's business volume in post and telecommunications totalled 307 million yuan, up 34.7 percent over the previous year. The newly opened business developed rapidly, express delivery service increased by 49.1 percent, and post office savings business increased by 55.1 percent. The level of communication equipment was raised and long distance telephone calls increased by 40.3 percent. By the end of 1990, city telephone subscribers totalled 186,800, an increase of 31.1 percent over the end of 1989, and program-controlled telephones accounted for 57.8 percent of the total city telephones.

VI. Domestic Commerce and Material Supplies and Marketing

The domestic markets were stable. In 1990 the province's total volume of retail sales of social commodities was 23,197 billion yuan, up 2.2 percent over the previous year. The retail sales of consumer goods were 20,774 billion yuan, up 2.7 percent. Of this, 19,783 billion yuan worth of commodities were sold to residents, up 2.3 percent, and 991 million yuan worth of commodities were sold to institutions, up 9.9 percent. The retail sales of the means of agricultural production was 2,423 billion yuan, down 2.0 percent.

In terms of the retail sales of different categories of commodities, state-owned units increased by 2.7 percent, supply and marketing cooperatives reduced by 7.7 percent, other collective units increased by 1.1 percent, jointly owned units increased by 30.5 percent, individual sectors increased by 4.2 percent, and retail sales by farmers to nonagricultural residents increased by 4.9 percent.

Of various types of consumer goods, the retail sales of food increased by 4.6 percent, clothing increased by 6.0 percent, items for household use reduced by 2.0 percent, and the sales of such consumer goods as bicycles, electric fans, and tape recorders declined by various margins.

The economic results of commercial departments dropped. In 1990 the profits realized by the provincial commercial departments and supply and marketing cooperatives respectively dropped by 55.1 and 84.4 percent; the rate of gross profits was down 2.1 and 0.5 percent respectively.

In 1990, confronted with all kinds of difficulties, the province's goods and materials departments and affiliated organizations intensified their services and spared no efforts to promote sales. The annual volume of purchases was 3,341 billion yuan, nearly the same as in 1989; the volume of sales was 3,626 billion yuan, up 1.2 percent. The sales of steel products were 726,800 metric tons, up 10 percent; pig iron 21,700 metric tons, up 9.3 percent; rubber 17,800 metric tons, up 30.0 percent, plastics 60,200 metric tons, up 12.5 percent; seven kinds of nonferrous metal 13,200 metric tons, up 37.2 percent; cement 1,752 million metric tons, down 4.3 percent; and 8,000 motor vehicles of all kinds, down 17.4 percent.

The market prices were stable with a slight decline. In 1990, the province's general retail price level dropped by 1.1 percent over 1989, and the general price level of urban and rural residents' living expenses dropped by 0.7 percent over 1989.

The changes in prices of various kinds of commodities were as follows:

	percentage of increase over 1989	percentage of increase in cities and towns in Dec 90 over Dec 89
1. Consumer goods	-1.4	0.8
food	-2.7	-3.2
grain	-7.5	-3.1
meat, poultry, eggs	-4.1	-10.9
fresh vegetables	-0.8	-19.8
aquatic products	-1.3	10.9
clothing	3.7	4.2
articles for daily use	-0.2	1.0
stationery	-2.5	3.2
books, newspapers and magazines	6.9	1.1
medicines and medical instruments	0.1	1.8
building and decoration materials	-6.7	-1.0
fuels	8.5	116.0
2. Means of agricultural production	0.3	—

In 1990, the general price level of living expenses for staff and workers rose by 0.1 percent and the price level of services rose by 5.4 percent.

VII. Finance, Insurance, and Tax Revenue

In 1990, all kinds of deposits in the five banks of the province increased by 7,124 billion yuan, 2,804 billion yuan more than in 1989. Of this, savings deposits and enterprise deposits respectively increased by 4,330 and 1,975 billion yuan, 1,225 and 1,551 billion yuan more than in 1989. The scale of loans was expanded and the structure adjusted to some extent. All kinds of bank loans increased by 5,194 billion yuan in the year, 999 million yuan more than in 1989. Of this, loans for industrial production increased by 1,241 billion yuan.

Insurance service made rapid development. In 1990, the total volume of all kinds of insurance amounted to 140,930 billion yuan, an increase of 111.0 percent over 1989. A total number of 14,400 enterprises and 406,100 households in the province participated in property insurance, and 555,000 people participated in all kinds of life insurance. The province handled more than 321,500 cases of claims at home and abroad, paying out 421 million yuan as indemnity. Of this, there were

56,400 claims involving domestic property insurance, with 194 million yuan paid out, and 60 million yuan was paid to 261,400 insurers for their life insurance; there were 3,700 claims concerning foreign business, and 167 million yuan was paid out. This helped the affected enterprises and households restore production and operation in good time, rebuild their homeland, and arrange their lives.

Tax collecting work made notable achievements. In 1990 industrial and commercial tax revenue at the local level amounted to 449 million yuan, an increase of 6.0 percent over the previous year. Taxes from self-employed businesses and regulatory personal income tax made relatively rapid progress, the former reaching 504 million yuan, up 18.3 percent over 1989, and the latter reaching 55 million yuan, up 53.3 percent. The collection of profit tax by tax departments from state-owned enterprises, energy and communications funds, state budget regulatory funds, special income from tobacco and alcohol, funds for building agriculture with industry and extra educational expenditures totalled of 1.35 billion yuan, down 8.0 percent over 1989.

VIII. Science and Technology

New achievements were made in orienting scientific and technological work to the needs of economic construction, strengthening the tackling of scientific and technological projects, and promoting results of scientific research. In 1990 the province won five state invention awards and six scientific and technological progress awards, including two second class awards and four third class awards. During the year 540 applications for patent rights were submitted to the state and 276 were approved by the State Patent Bureau. By carrying out the "spark plan," a number of applicable advanced technologies began to be popularized in the vast rural areas. In 1990 the province put 430 "spark plan" projects into practice, 219 of which were new projects for the year.

The awareness of enterprises relying on scientific and technological progress was further enhanced. In 1990, 122 special technology development institutions with a total number of 7,000 technical personnel were set up in large and medium industrial enterprises, respectively increasing by 7.0 and 4.5 percent over 1989. In the entire province, 1,377 new products were developed, 19 of which were elected state quality products; over 120 were elected quality products at the ministerial level, 416 at provincial level, and 35 were awarded provincial arts and crafts "hundred flowers" prizes. The Linchan chemical plant in Wuping County won for the first time the state quality control award, and 10 enterprises won provincial quality control awards. In 1990, 28 enterprises were promoted to the status of state second-class enterprises; 581 factories, mines, and other enterprises completed grade evaluation or promotion, two of which were ranked first class and 54 second class. The province formulated or amended 74 local product criteria.

New progress was made in geological surveys and prospecting. In 1990 the geological department conducted 149 projects and completed geological surveys of 1:50,000 scale over an area of 3,818 square km. New mineral deposits surveyed and verified were 17.69 million tons of coal, 15,500 metal-tons [jin shu dun 6855 1466 0903] of lead, 10,800 metal-tonnes of zinc, 176,700 mineral-tonnes [kuang shi dun 4349 4258 0903] of fluorite, and 4.36 million mineral-tons of pyrophyllite. Eight new mining areas were discovered.

Surveying and cartographic departments completed a total of 100,000 work days in the year. A total of 3,800 color reams of maps were printed and 2,003 atlases of various scales were drawn up. There were 1,500 project large-scale maps ranging from 1:500 to 1:2000 over an area of 80 square km. Aerial photos for an area of 10,000 square km were taken.

The meteorological department raised the level of weather forecasting, reinforced scientific research work, and further strengthened its service capability.

The contingent of scientists and technicians further expanded. By the end of 1990, local state-owned units throughout the province had 205,000 technical personnel of natural sciences, 17,300 more than in 1989; 296,300 professionals of social sciences, 17,000 more than in 1989. There were 116 province- or prefecture (city)-owned independent natural science research institutions, of which there were 15 intelligence agencies. There were 126 scientific and technological institutes, associations, and research institutes at provincial level, consisting of 102,200 members, and 113 social science research institutes, consisting of 56,000 members.

IX. Education and Culture

Educational undertakings continued to expand. In 1990 the province enrolled 366 new graduate students. The total number of graduate students at school was 1,198, and 497 graduated. Institutions of higher learning took in 17,200 undergraduate students. The total number of undergraduate students was 55,000, and 17,900 graduated.

There were 103 secondary vocational schools of various types with 58,900 students, 140 technical schools with 28,300 students, and agricultural and vocational secondary schools totalling 71,200 students.

In 1990 the province's ordinary senior and junior middle schools had respectively 154,700 and 893,800 students, 3,000 and 45,100 students fewer than in 1989; there were 3,370,800 pupils in primary schools, 3,100 pupils more than in 1989. The enrollment rate of school-age children

was 99.1 percent. There were 743,200 children in kindergartens throughout the province, and 1,347 students in specialized schools.

In 1990 institutions of adult higher education took in 7,700 students. The total number of students was 25,800, and 5,400 graduated. Adult secondary vocational schools had 24,700 students, and 166,300 people became literate. Technical training of in-service staff and workers and rural practitioners was strengthened.

Cultural undertakings grew at a healthy rate. By the end of 1990, there were 3,252 film-projection units, 92 professional artistic groups, 74 public libraries, 80 cultural centers, and 57 museums and memorials throughout the province. There were 10 radio broadcasting stations, 36 radio transmitting and relaying stations, nine television stations, and 15 television transmitting and relaying stations with a capacity of over 1,000 kilowatts. The province issued 415 million copies of newspapers and published 31,565 million copies of magazines and 163 million copies of books.

X. Public Health, Sports, and Environmental and Nature Protection

Continued growth was achieved in public health undertakings. Medical conditions further improved. By the end of 1990 there were 4,885 public health institutions of various kinds in the province, including 1,198 hospitals, 3,334 clinics, 14 sanatoriums, 91 epidemic prevention stations, 38 specialized prevention and treatment centers, 62 women and children health centers, 13 medical science research institutes, two medical colleges, and 22 secondary medical schools.

By the end of 1990, there were 60,600 hospital beds, an increase of 2.4 percent over the end of 1989, 86,800 professional health workers, up 2.8 percent. These included 35,700 doctors, up 2.6 percent, and 22,400 nurses, up 4.8 percent. Medical conditions in rural areas continued to improve, with 95.0 percent of villages setting up health units.

Notable achievements were made in sports. In 1990 the province's athletes won 48 gold medals, 12 silver medals, and 10 bronze medals in world championships. At the 11th Asian Games, they spared no efforts and walked away with 14 gold medals, five silver medals, and four bronze medals for the country. In nationwide contests, championships were won on 39 occasions, and three athletes broke Asian records. A total of 199,000 youngsters reached the "standard of state physical training."

New achievements were scored in environmental and nature protection. In 1990 there were 50 smoke and dust control zones covering a total area of 238 square km, 27 zones, covering an area of 39 square km, reached the low-noise standard. The handling capacity of industrial waste water was 279.94 million tonnes; the disposing capacity of industrial solid waste was 3.53 million tonnes, and their comprehensive utility rate was 35.2 percent. Sixty-six enterprises were closed, suspended,

merged, transferred to other lines of production, or moved due to pollution. In 1990 there were 15 forest and wildlife natural protection zones at state or provincial levels with an area of 100,000 acres and two aquatic resource protection zones at the provincial level with an area of 13,800 acres.

XI. People's Standard of Living

In 1990 the total payroll of staff members and workers of the province was 6.553 billion yuan, an increase of 14.2 percent over the previous year. The consumption demand of residents was basically stable. According to sample surveys, the per capita income of urban residents for living expenses in 1990 was 1,567 yuan, up 12.2 percent over 1989, or a 12.1 percent increase if price rises were excluded; the per capita net income of farmers was 764 yuan, up 9.6 percent over 1989, or a real growth of 5.0 percent if calculated in terms of comparable prices.

Savings deposits scored large gains in both urban and rural areas. By the end of 1990 the balance of urban and rural residents' savings deposit was 18,326 billion yuan, 5,548 billion yuan more than at the end of 1989, or a 43.4 percent increase.

In 1990, 135,000 people were given jobs across the province. The total number of staff and workers by the end of 1989 was 3,108 million, 82,000 more than in 1989. The number of staff and workers in state-owned enterprises was 2,146 million, an increase of 34,000; that in collective enterprises were 0.781 million, a decrease of 4,000, and that of other enterprises was 0.181 million, an increase of 52,000.

Social welfare work continued to develop. In 1990, 802,900 poor people received temporary relief aid from the government, 13,900 people received regular aid at fixed quantity, and relief was also provided to 69,200 people living in scattered areas who were childless, elderly, disabled, or young. The civil administration department established 40 social welfare institutions, 26 glorious homes, two child welfare centers, 17 mental homes, one army men rehabilitation hospital, 489 urban and rural homes for the aged, and 164 welfare enterprises.

Work to help the poor yielded new success. The problem of having sufficient food and clothing was basically solved in poverty-stricken areas. The per-capita net income of farmers in 17 impoverished counties that were specially supported by the province reached 617 yuan, an increase of 8.9 percent over the previous year.

XII. Population

Sample surveys showed that the birth rate was 24.44 per thousand, the death rate was 6.71 per thousand, and the natural growth rate was 17.73 per thousand in 1990. According to calculations, the population of the province totalled 30.37 million by the end of the year, 520,000 more than at the end of 1989.

Note: 1. This communique does not include data for Jinmen County and the Mazu Islands of Lianjiang County.

2. All figures in this communique are preliminary. The absolute figures of gross output value are calculated according to the prices that year and growth rates are calculated according to comparable prices.

3. Base-year figures are from the official statistics of the *Statistical Yearbook of Fujian* except for the population figures at the end of 1989, which were adjusted according to the fourth population census data, and the investment in fixed assets, which were adjusted according to new statistics of commercial housing.

Hebei Achieves New Technology Development

SA 2505072491 *Shijiazhuang Hebei People's Radio Network in Mandarin* 2200 GMT 16 Apr 91

[Text] Over the past two years since their founding, the Shijiazhuang development zone of high and new technological industries have initially formed an enterprise group of high and new technologies. The annual output value of the enterprise group reaches nearly 200 million yuan. Not long ago, this development zone was formally approved as a national-level development region of high and new technology industries. The project of building this development zone was formulated in 1988, which is located in the western area of the province's capital and whose acreage is 3.8 square km. There are a large number of scientific research units and higher educational institutions in the zone, including the 54th and 13th institutes affiliated with the Ministry of Machine-Building and Electronics Industry and the southwest higher education district. The development zone is convenient in traffic and complete in telecommunications means. Through the appraisal, 37 enterprises in Shijiazhuang City have been approved as the first group of high and new technology institutions.

The high and new technology enterprises in the city have mostly adopted the unified managerial system among scientific research, industrial production, and trade operation, and have had the characteristics of elite personnel, brand-new products, and of high economic results. The scientific and technological talented personnel of these enterprises account for about a half of the total. More than 50 new products developed by these enterprises have been appraised as those with high, precise, and highly sophisticated technologies. In 1990 these enterprises fulfilled the 59 projects in the "torch plan" and the program of overcoming the technical difficulties and became the institutions which had taken the lead in science and technology across the province. The per capita productivity of these enterprises in 1990 reached 24,000 yuan. At present, the people's governments of Hebei Province and Shijiazhuang City are formulating their plan for further achieving development in the zone.

Huangfu Ping Calls for 'Year of Reform' in Shanghai

91P601661 *Shanghai JIEFANG RIBAO in Chinese* 15 Feb 91 p 1

[Article by Huangfu Ping (4106-1940-1627): "On Being 'The Sheep That Leads the Flock' During Reform and Opening Up"]

[Text] The year of the horse is over and the year of the sheep has arrived. Dear readers, while we are extolling the auspiciousness of the new year and while we are mutually wishing each other good fortune, are you aware that we are at a significant and profound historical turning point?

Twelve years form a cycle [the duodecimal cycle within the traditional Chinese calendar]. Looking back, the last year of the sheep was 1979, the year after the Third Plenary Session of the 11th Central Committee that ushered in China's reform. Who can forget that while our party was sounding the first clarion call for reform, we had just come through the 10 years of terrible chaos and widespread devastation and were facing a myriad of problems needing attention. During that time, as the sons of our rural households went to the frontline despite the debts they were carrying, surely there was more than one Liang Sanxi? As our wielders of 18-pound hammers forged new machines, surely they were not confined to the automobile industry alone? Twelve springs and autumns have come and gone as have 12 years of reform. Today, as we again enter the year of the sheep, we have already victoriously achieved the first step of our strategic goal of the four modernizations and essentially resolved the issue of food and clothing that has beset the Chinese people for several thousand years. Looking at the present in light of the past, history provides solid evidence that reform is the only way to strengthen the country and benefit the people. Without reform the Chinese people would neither be enjoying such a bright present nor would they be able to enjoy an even brighter future. By the time the next year of the sheep rolls around, we will already have entered the 21st century, achieved the goal of being reasonably comfortably off, and quadrupled GNP, and "Finding contentment in one's life and work, having ample food and clothing" will already have become a way of life for China's large population. Entering this year of the sheep, our pace of reform undoubtedly must be faster than that of the previous 12 years and our scale of opening up likewise much greater.

Sixty years forms a sexagenary cycle. [This refers to the ancient Chinese calendar's sexagenary cycle that consists of a permutation of the decimal cycle and the duodecimal cycle. Five of the duodecimal cycle (5x12) or six of the decimal cycle (6x10) makes a complete cycle of 60 years.] As we look back on history, the last equivalent year of the sheep was 1931, a time of serious hardship in old China, when the iron hoof of imperialism was trampling all over the country and when the Chinese people shed much blood and many tears and suffered

humiliation. To this day, the lesson that corruption and backwardness inevitably take a severe toll remains fresh in the memory, and when one makes an historical comparison between the present and the past, the truth that only socialism can save China becomes even more apparent. As we look into the future, the next such year of the sheep—2031—will be a glorious time when socialist China will have arrived at an intermediate level of development. Our per capita GNP will reach \$4,000, and this will place our large country with its population of over 1 billion and comprehensive national strength in the international forefront. Essentially, when our current productivity is highly developed, we will be able to fully demonstrate the attraction of socialism and greatly fortify the convincing nature of scientific socialism. China's achievement of the intermediate level of development will be the Chinese people's major historical contribution to the cause of socialism. And in order to realize this objective, we will have to undergo a full sexagenary cycle of arduous struggle. This cycle must be 60 years of the Chinese people conducting uninterrupted reform, exploration, development, and bringing forth new ideas and uninterruptedly expanding the opening up to the outside world. In sum, this sexagenary cycle will be an illustrious time for the socialist system as it undergoes reform and opening up.

Beginning with this year of the sheep, the next 10 years will be a critical decade in Chinese history and will also be a critical decade for the vigorous development of Shanghai. Looking at the initial year of this decade, the year of the sheep must be "the year of reform" as far as Shanghai is concerned. History and reality have already proven repeatedly that "the only way to resolve problems is through reform." Reform and opening up are our talismans from which we cannot be parted for even a moment. Reform and opening up constitute the only route that will enable Shanghai to cast off its difficulties and strive for vigorous development. During this historical "year of reform," we must hold up the banner of reform even higher, further emancipate our minds, transcend any constraints imposed by ossified ways of thinking, make reform and opening up pervade the entire year, assume a dominant role, and build a new socialist commodity economic structure compatible with the international economic centers of the world. Our cadres at all levels must adopt a reform stance, inspire enthusiasm, dare to take risks, have the courage to go first, take paths previously untrudged, and be "the sheep that leads the flock" during reform and opening up. In further developing the re-education of the entire party and people by raising their reform consciousness, we must popularize the concept of the socialist commodity economy and of scientific, political democracy, further evolve reform, create a new public awareness about expanding our opening up to the outside world, and cultivate within Shanghai a brand new climate of public opinion concerning reform and opening up.

"The chirping of orioles and the songs of swallows ring in the new year"; may the year of the sheep be in name as

well as in reality "the year of reform" and may it go down in the annals of history!

Shanghai Government Work Report

CH 3404183/91 Shanghai City Service in Mandarin (0001) (AF) 27 Apr 91

[Live report by Shanghai Vice Mayor Huang Ju on the Outline of the 10-Year Program and the Eighth Five-Year Plan for the Economic and Social Development of Shanghai Municipality, reported at the opening of the Fourth Session of the Ninth Shanghai Municipal People's Congress]

[Text] Fellow deputies, on behalf of the Shanghai Municipal People's Government, I now submit for examination and approval by the session a report on the outline of the 10-Year Program and the Eighth Five-Year Plan for the Economic and Social Development of Shanghai Municipality, as well as the draft of the outline. I also invite members of the municipal committee of the Chinese People's Political Consultative Conference and other nonvoting attendees to offer their opinions.

The last decade of this century will be an extremely crucial period in the historical revitalization of Shanghai. Early last year, the municipal government began organizing research on the 10-Year Program and the Eighth Five-Year Plan for the Economic and Social Development of Shanghai Municipality. The draft outline for the 10-Year Program and the Eighth Five-Year Plan for the Economic and Social Development of Shanghai Municipality was worked out on the basis of a conscientious summing-up of experiences gained in the past decade and extensive solicitation of opinions from all sides in this regard. The draft outline was submitted to the 11th Plenary Session of the Fifth Shanghai Municipal CPC [Communist Party of China] Committee for deliberation, where it was approved in principle. Later, the draft outline was revised and expanded according to guidelines set down by the Seventh Plenary Session of the 13th CPC Central Committee and the Fourth Session of the Seventh National People's Congress.

My report will be in five parts.

I. Achievements in Reform and Opening to the Outside World in the 1980's Laid the Foundation for Future Development

Under the leadership of the party Central Committee, the State Council, and the Shanghai Municipal CPC Committee, in the 1980's we unwaveringly implemented the party's line, principles, and policies laid down since the Third Plenary Session of the 11th CPC Central Committee. While carrying out economic construction as our central task, we summed up our experiences and vigorously examined the basis for tremendous achievements in Shanghai's socialist construction since the founding of the People's Republic of China. Thus Shanghai entered a new period of development.

During the Sixth Five-Year Plan, the municipal government formulated a strategy for the economic development of Shanghai and an overall plan for urban construction, implemented after approval by the party Central Committee and the State Council. These two blueprints clearly set the direction for economic and social development in Shanghai. Reform and revitalization in Shanghai essentially entered a startup period in the later stages of the Sixth Five-Year Plan and the early stages of the Seventh Five-Year Plan. The construction of a number of large key projects went into high gear. In the later stages of the Seventh Five-Year Plan, the party Central Committee and the State Council approved a report which recommended accelerating the transformation of Shanghai's economy into one which was export-oriented. While developing an export-oriented economy to promote reform and opening to the outside world, Shanghai also made remarkable achievements in economic improvement and rectification. [Words indistinct] a major strategic policy decision to develop and open Pudong. Thus, reform and revitalization in Shanghai entered a new historical period.

With the efforts made by the preceding municipal governments and all residents of the city, major progress was achieved on various fronts, and the Sixth and Seventh Five-Year Plans were successfully fulfilled. Looking at the past, all of us can draw a conclusion from our personal experience—that is, the 1980's were a period in which Shanghai's economic strength grew most, its outlook underwent the greatest change, and its people's living standard improved fastest. Great and profound changes were reflected in various economic and social aspects. Shanghai's economic strength grew noticeably. Its total output value reached 33.7 billion yuan in 1990, 1.03 times more than in 1980 in terms of comparable prices, and representing an average annual growth of 7.3 percent. This enabled us to achieve the strategic goal of doubling the total output value in the first 10 years. The total income of the people living in cities in 1990 increased by 93.4 percent over 1980, yielding an average annual increase of 6.8 percent. The city's total industrial output value in 1990 was 93.3 percent more than in 1980, representing an average annual growth of 6.8 percent. Total social fixed asset investment amounted to 141.9 billion yuan between 1980 and 1990. We successively completed the first-phase project of the Baoshan Steel Complex, the second-phase project of the (Jinshan) Petrochemical Project, the Santana Sedan production line, the (Yongjin) Color Television Picture Tube Project, the (Jichang) Cold Rolling Project, and other backbone projects, laying a material and technological foundation for Shanghai's economic development.

Reform of the economic system was carried out on a full scale. Over the decade, focusing on the central link of invigorating enterprises, we carried out reform of the planning, financial, taxation, enterprise management, foreign trade, and wage systems. Enterprises widely adopted various forms of contract responsibility systems in business management, and experimented with instituting the shareholders' system, the system of separating

taxes from profits, and the system of delegating more management powers to enterprises. In addition, we carried out reform of the pricing and circulation systems in a planned manner, improved and expanded the market of industrial products for daily use, and the market of means of production, cultivated and developed the capital, technology [words indistinct], labor, and [words indistinct] markets. The government's macroeconomic regulation and control ability was enhanced, mandatory planning was gradually reduced, and guidance planning and the scope of market regulation were gradually expanded. Moreover, we made positive efforts to develop indirect management models. On the basis of [words indistinct], we adopted the system of contracting financial affairs by districts and counties, and broadened districts' and counties' jurisdiction powers. Through reform, the excessively concentrated planned economic system of the past is gradually being transformed to the system of combining the planned economy and market regulation.

As for opening up to the outside world, over the decade, especially since Shanghai was listed as an open coastal city in 1984, the city's economic and technical exchanges and cooperation with foreign countries has expanded rapidly. The cumulative value of exports reached \$40.7 billion, the export commodity mix was gradually improved, the percentage of highly processed goods and products with high added value increased markedly, amount of foreign funds used totaled 17.3 billion, 910 projects directly invested by foreign companies were approved, the amount of established contracts reached \$2.88 billion, and a number of technologically advanced enterprises established cooperation relations with large international companies. In addition, we built the Minhang, Hongqiao, and Caohejing economic and technological development zones, enterprises in the three zones also achieved relatively good economic results.

Initial preparatory work for the development of the Pudong New Zone has been launched fully. Overseas tourists visiting Shanghai reached 2.6 million during the decade, earning us \$8 billion yuan renminbi in foreign exchange. In addition, progress was also made in importing foreign technologies, in making overseas investments, in exporting labor services, and in contracting overseas projects.

Considerable progress was made in the construction of the urban infrastructure. Over the last 10 years, a number of major urban infrastructure projects were completed that have had a great impact on the national economy and the livelihood of residents. Foreign capital began to be introduced in the construction of infrastructure projects. The city spent 22.5 billion yuan in the past 10 years on renovating and building facilities of urban infrastructure, 10 times the combined investment of the previous 10 years. Improvements were made in 16 passenger stations in Shanghai. A new passenger station was built for the seventh route. The international terminal of the Hongqiao Airport was renovated, and the city's three windows on the outside world thus got a face.

lift. Civic works highlighting highway construction were expedited. A tunnel was built under the Huangpu Jiang on the Yanan East Road, in addition to the Fujia and Jingdong expressways. The citywide telephone system was upgraded to seven digits. The capacity of the city's telephone switchboard was increased from 130,000 lines in 1980 to 740,000 lines in 1990. The first-phase work of both the [works indistinct] in Pudong and the diversion project in the upper reaches of the Huangpu Jiang was completed. As a result, the outmoded infrastructure of the city began to change, and the investment environment and the residents' living conditions improved.

Readjustment of the industrial structure made gigantic strides. The past 10 years witnessed substantial progress in the tertiary industry. The proportion of the city's gross national product attributed to the tertiary industry increased from 21 percent in 1980 to 30 percent in 1990. Rapid development was seen in the finance, tourism, real estate, telecommunications, and information industries. A multitude of civic functions were thus restored or strengthened. The secondary industry underwent restructuring in product mix, technical makeup, enterprise organization, and production, thus raising the overall level of Shanghai's industry. The primary industry's share in the city's GNP was basically stabilized at 4 percent. In addition, the primary industry, which used to be dominated by plant production, also diversified to include farming, forestry, animal husbandry, sideline production, and fishing.

The economy of suburban counties underwent profound changes. During the last 10 years, as the output-related household contract responsibility system spread, rural financial reform deepened, the collective economy further consolidated, and the overall suburban economy grew. Agricultural production increased steadily. Township and village industries developed rapidly, and exports doubled. The construction of sideline production centers bore marked results. Further progress was made in the integration of urban and rural development. In 1990, the GNP of suburban counties amounted to 16.26 billion yuan, 4.9 times that in 1980, representing 22 percent of the city's GNP as compared with 11.7 percent in 1980. The counties' share in the local financial revenue climbed from 4.9 percent in 1980 to 16.5 percent in 1990, thus making positive contributions to Shanghai's economic growth.

Science, technology, education, and culture flourished. The number of scientists and technologists increased during the past 10 years, and technical personnel in various specialized fields more than doubled. The city invested in over 15,600 major scientific and technological projects. The results of one-fifth of these projects already reached world levels. In addition, significant achievements were made in high-technology fields, thus greatly facilitating economic construction. Moreover, further progress was seen in various social sciences.

In the past decade, we made considerable progress in educational endeavors, continued to train various kinds

of skilled personnel, and dispatched them to all parts of the country. We made nine-year compulsory education universal, made significant progress in developing secondary vocational and technical education, and readjusted and reformed higher education to enhance its ability to serve economic construction. A new pattern, marked primarily by on-the-job training, was instituted in adult education. We made new achievements in strengthening the construction of socialist spiritual civilization, enriching the people's lives, protecting the people's health, and promoting China's cultural exchanges with foreign countries, when carrying out various endeavors, such as culture, health care, and physical culture.

Living standards in urban and rural areas improved markedly. In the past decade, local residents' incomes increased rather rapidly, reversing chronically stagnant levels of the past. Average annual wages of staff members and workers in 1990 rose 2.3-fold over 1980. The average annual increase was 5.1 percent, after adjustment for price increases. Annual per capita net income of peasants increased 3.1-fold over 1980. The average annual increase was 7.3 percent, after adjustment for price increases. Income increases led to remarkable changes in local consumption patterns. Consumption levels of various commodities, such as food, clothing, and daily necessities, rose quite substantially. Large quantities of consumer goods for daily use, such as color TV sets, refrigerators, and washing machines made inroads into households. A total of 42.59 million square meters of residential quarters were built in the past decade. This was 1.8 times the total area of houses built in the previous 10 years. Eighty percent of peasant households in suburban areas built new houses. The municipal government performed a number of practical deeds that had a bearing on the people's livelihood and eased some outstanding contradictions plaguing the lives of urban and rural residents.

Despite tremendous achievements in Shanghai's economic and social development over the past decade, we encountered many new contradictions and problems, and there were defects and shortcomings in our work. A current salient problem is the failure to fundamentally change the irrational industrial structure. Enterprises, especially state-run large- and medium-scale ones, are generally lacking in vitality. We have not yet fundamentally changed the situation marked by falling economic efficiency, heavy local financial burdens, difficulty in balancing income and expenditures, backward urban infrastructure, traffic congestion in the city, and housing shortages for local residents. We must further resolve these contradictions and problems earnestly in the 1990's.

In reviewing Shanghai's reform and opening in the past decade, we find that the road has been very bumpy. Shanghai has the largest state-run economic sector and the highest concentration of large- and medium-scale enterprises in the country and is subject to the most state

mandatory planning. Transition from a partially centralized management system to a planned commodity economic structure, at a time of coexistence and interaction between new and old structures, is bound to encounter various challenges. Constant efforts to open wider to the outside world have set higher demands on the urban investment environment, compelling us to concentrate on changing the backward state of our infrastructure, technology, and management. Modifying thoughts and concepts formed over a long period of time under the old structure and emancipating the mind to propel the development of production are a long-term arduous process. All this requires redoubled efforts on our part in the cause of transforming and enlivening Shanghai. In addition, it has greatly tempered the people of Shanghai, further enhanced their sense of historic responsibility and mission in invigorating Shanghai throughout the municipality, and boosted our confidence and courage in surmounting difficulties. We firmly believe that the people of Shanghai, who have undergone many trials, will usher in Shanghai's economic boom with greater confidence.

II. Strategic Objectives for the 1990's

The 1990's will be an extremely crucial period for Shanghai's economic and social development. The people of Shanghai carry heavy historic responsibilities. In this period, we should consolidate and develop the achievements we made in the 1980's, carry forward our cause and forge ahead into the future, and promote the great undertaking of revitalizing Shanghai. The tremendous achievements made in reform and opening to the outside world and in the modernization drive during the past decade have laid a fairly sound foundation for development in the 1990's. We have also accumulated valuable experiences during the decade. In the next decade, as long as we firmly advance according to our set objectives, we can certainly push the undertaking of revitalizing Shanghai forward to a considerable extent.

The next decade will be a period for the Pudong New Zone to enter the stage of development and to lay a foundation for all-round construction in the coming century. The development of Pudong will push Shanghai to the forefront of China's reform and opening to the outside world in the 1990's, constitute a new turning point for the revitalization of Shanghai, and provide favorable conditions for strengthening the functions of a city, the (distribution) of productive forces, and the strategic readjustment of the industrial structure. That will provide even more maneuvering capability for the development of Shanghai. We must firmly seize this historic opportunity to combine the development of Pudong with the transformation of Puxi and to promote the all-round economic and social development of Shanghai.

The next decade will be a period during which Shanghai will, under new historical conditions, continue to make new contributions to other parts of the country. The

support of the country is indispensable for the development of Shanghai, and it is our unshirkable duty to serve the whole country. In the 1990's, Shanghai should advance in reform and opening to the outside world, make full use of its own favorable conditions, expand its economy, and make new contributions to achieving the second-step strategic objective for the modernization of our country.

The next decade will be a period during which Shanghai will accelerate the development of its export-oriented economy and stride toward the world. In the international environment in which the world industrial structure is rapidly changing and economic regionalization and grouping is being intensified, we should continue to fully use various favorable international conditions, be further geared to the needs of the world, and open wider to the outside world. We should increase our exchanges and cooperation with foreign countries in economic, scientific, technological, educational, cultural, and other fields. We should take an active part in international competition. We should strengthen Shanghai's economic strength and comprehensive urban functions.

According to the second-step strategic objective for the socialist modernization of our country and the international and domestic situation facing Shanghai in the 1990's, the general strategic concept and strategic objectives set in the draft outline for the economic and social development of Shanghai in the next decade are to revitalize Shanghai, develop Pudong, serve the whole country, and be geared to the needs of the world. In the light of the requirements set in the 10-Year Program and the Eighth Five-Year Plan for the whole country and centering on the improvement of economic efficiency, we should vigorously readjust the economic structure and strive to quadruple the 1980 total annual income for the municipality so that the people will be able to live a fairly comfortable life. We should make every possible effort to build Shanghai into an international modern socialist and multi-functional city with an export-oriented economy, a rational industrial structure, advanced science and technology, and a high degree of civilization.

The draft outline sets basic demands in eight aspects for achieving the strategic goals of the next decade. In general, the demands call for initially instituting a new export-driven economic structure, opening comprehensively to the outside world, becoming an important pivot and window in opening the Chang Jiang Valley and the entire country to the external world, rationalizing the industrial structure, and fully exploiting Shanghai's overall functions as a central city. They also call for efforts to steadily increase the trading-dominated tertiary industry's proportion in the gross municipal product, to basically complete three practical tasks that closely affect economic and social development, such as city traffic, housing, gas supply, and the food basket project, significantly improve the investment and living environment, achieve preliminary results in building the

new Pudong area make significant progress in transforming old urban districts, markedly accelerate rural construction in nearby counties, and bring profound changes to urban and rural areas.

We must closely integrate science and technology with production, continue to develop and strengthen new industries, further strengthen the role of scientific and technological progress in economic construction, deepen economic reform, and institute a new preliminary structure of socialist planned commodity economy and an economic operational mechanism that combines the planned economy with market regulation. We must also further develop education, culture, health care, physical culture, and various other endeavors, attain a new level in building the socialist spiritual civilization, further improve the people's living standards, significantly improve our living and working conditions and social welfare, and further enrich our spiritual and cultural activities.

Realizing the strategic goals of the 1990's is an arduous historic task. The CPC Central Committee's basic guidelines on formulating the 10-Year Program and the Eighth Five-Year Plan for National Economic and Social Development have clearly pointed the direction for advancement to us. We must comprehensively implement these basic guidelines in various endeavors over the next decade. While taking Shanghai's realities into account, we must make earnest efforts in the following:

1. We must resolutely take the road of building socialism with Chinese characteristics, at all times uphold the four cardinal principles and the reform and open policies, with economic construction as the central task, and create an economic operational mechanism that integrates the planned economy with market regulation in accordance with the requirements for developing a socialist planned commodity economy. We should take Shanghai's distinctive features into consideration when implementing the various principles and policies for economic and social development, blaze new trails when carrying out reform and opening up, and make creative developmental efforts when conducting modernization. However, all these efforts cannot deviate from the general socialist orientation. Shanghai should become a modernized city which fully reflects socialism with Chinese characteristics.

2. We must maintain stability and actively blaze new trails when advancing our reform and opening efforts. Shanghai is the largest central economic city in our country. Every policy decision adopted by it will have a certain impact at home and abroad. We must pay attention to the stability and continuity of our endeavors, and maintain social stability and unity. Shanghai cannot achieve the goal of enlivening itself if there is stability without advancement. Hence, we must uphold the reform and open policies and advance continuously while maintaining political, economic, and social stability.

3. Under the leadership of the central authorities and with the support of all localities, Shanghai should serve the whole country better. Shanghai belongs to the whole country. Shanghai's development, be it past, present, or future, is inseparable from the central authorities' leadership and fraternal provinces' and cities' assistance. The whole country should support Shanghai, and Shanghai should serve the whole country. In addition to broadening the scope of opening to the outside world, Shanghai should strengthen its domestic association. With the central authorities' support and fraternal provinces and cities' cooperations, Shanghai should develop faster and make greater contributions to the whole nation.

4. We should enable the economy to develop in a sustained, steady, and coordinated manner. This is an in-depth conclusion of the positive and negative aspects of our economic construction, as well as an objective requirement for economic development. We must insist on coordinating the speed and efficiency of economic development and continue to improve the quality of economic growth. In planning the overall balance in economic development, we should set reasonable relations between development in major economic sectors, in readjusting industrial structure, we should ensure economic stability and avoid drastic fluctuations, in order to ensure that the strategic goals of the next decade will be achieved smoothly.

5. We should regard raising economic efficiency as the focal point of all economic work. Aiming at raising economic efficiency, we should organize social (work) indistinctly, further readjust the industrial structure, stress the need to raise productivity and management levels and to improve laborers' quality by enlisting the help of science and technology, and ensure a good job in conserving energy, reducing consumption of raw and processed materials, lowering production costs, and improving product quality. Only by doing so can we improve the overall quality of the economy and achieve reasonable efficiency of scale, investment efficiency, management efficiency, technological improvement efficiency, and social benefits.

6. We should accelerate unification of urban and rural areas to ensure coordinated development of urban and rural economies. We should set our sights on the entire situation, give thought to the development of the whole city, make unified plans for urban and rural construction and reasonably distribute urban and rural resources according to the internal relations of economic development, and take various measures to develop urban and rural markets, in order to gradually form an open, unified and network-type enterprise economic system.

7. We should establish close relations between the government and the masses, and wholeheartedly serve the people. Invigorating Shanghai is the common undertaking of the 13 million residents of Shanghai. Only with the masses' understanding of and support for the government can we unite the vast numbers of residents to

undertake the great cause of invigorating Shanghai with one heart and one mind. And only by trusting the masses and standing together with the masses can we succeed in invigorating Shanghai.

8. We should firmly establish the notion of a hard struggle and of building up the country through thrift and hard work. Shanghai's socialist modernization is proceeding under comparatively poor material conditions. The tasks are arduous, and we are facing many difficulties. For this reason, all the cadres and the people must continue to display the spirit of hard struggle and of building up the country through thrift and hard work, so that our limited financial resources will have a greater effect. We must overcome serious waste in various fields and carry out all undertakings in an industrious and thrifty manner.

9. We should firmly implement the policy of building material civilization and spiritual civilization at the same time. While promoting the building of material civilization, we must not slacken even a little our efforts to build spiritual civilization. Effective ideological and political work and widespread and thorough socialist ideological education are important guarantees and are spiritually motivating for promoting the building of material civilization. To build Shanghai into an open international city of socialist modernization, we should strive to raise the level of spiritual civilization among all members of society, establish good standards of social conduct, foster noble work ethics, and make great efforts to step up building socialist spiritual civilization with distinct characteristics of the times.

III. Main Tasks in Economic and Social Development During the Eighth Five-Year Plan

In the course of formulating the draft outline, which has been submitted to the current session for deliberation, we considered the fact that economic and social development is a continual process. Some major construction projects, scientific and technological research projects, and the training of qualified personnel usually cannot be completed in five years; therefore, the Eighth Five-Year Plan must be formulated in consideration of the general trend and the strategic objectives of economic development for the next 10 years. For this reason, the draft outline points out that we must maintain economic and social stability over the next five years. We should continue the task of improving the economic environment, rectifying the economic order and deepening reform, accelerating organizational readjustment, and enhancing economic efficiency. At the same time, we should also step up the construction of major urban infrastructure projects and the start of Pudong's development, and lay a foundation for development during the Ninth Five-Year Plan.

Considering these points, the Eighth Five-Year Plan should be balanced over all and the relationship among the following six aspects should be handled well:

1. The relationship between urban construction and production development—urban construction and production development should be arranged proportionally; the proportion should remain relatively stable, and the two should carry equal emphasis.

2. The relationship among primary, secondary, and tertiary industries—the proportion and growth rate of these industries should be set rationally according to the principle of steadily enhancing primary industries, actively readjusting secondary industries, and energetically developing tertiary industries.

3. The relationship between new industries and conventional industries—while putting new technology to industrial use, it is necessary to pay attention to using new technology in transforming conventional industries.

4. Relations between the new Pudong area and the old Puxi Area—while accelerating the development in Pudong, it is necessary to renovate and ease congested conditions in Puxi, so that a coordinated development between Pudong and Puxi can be achieved.

5. The relations between economic construction and social development—in addition to focusing on economic construction, we should also pay attention to the development of science, technology, education, culture, and public health, so as to ensure harmony between economic and social development.

6. The relations between promoting production and improving the people's livelihood—we should make adequate arrangements for the daily life of both urban and rural residents and solve their major problems on a selective basis, while striving to promote production and raise labor productivity.

In line with the principle that calls for sustained, steady, and coordinated development of the national economy and realistic planning with allowance for unforeseen circumstances, and taking into account readjustment of the economic structure and acceleration of urban construction, the major targets of the Eighth Five-Year Plan period are initially set as follows: the GNP will increase at an annual rate of 5 percent; industrial production, 5 percent; agricultural production, 1.5 percent; exports, 5.6 percent; grow retail sales over 10 percent; and wages, 3 percent, after allowing for inflation.

Accordingly, the draft outline sets forth the following major economic and social tasks for the Eighth Five-Year Plan period:

1. We should concentrate our efforts on urban construction, highlighting the 10 major projects and housing, in order to achieve marked improvements in both the investment environment and residents' living conditions. Expediting construction of the urban infrastructure as well as improving the investment environment and living conditions are not only pressing demands of Shanghai residents, but also objective requirements for developing Pudong and revitalizing Shanghai. In the

next five years, we should complete 10 major infrastructural projects, along with other projects in support of urban infrastructure in a systematic manner. In the first three years, we should complete the Nanpu Bridge, the Yangpu Bridge, the first phase work of the river pollution control project, the first phase work of the Waigaoqiao port area, the expansion of Hongqiao Airport, and the comprehensive improvement of the communications system in Wai Tan. In the last two years, we should finish the first line of the subway, the elevated express ring road around the downtown area, the gas supply project, and the water supply project. Meanwhile, we should build overpasses at busy intersections in the city, broaden north-south thoroughfares and other major highways, accelerate the preparations for the construction of the Shanghai-Ningbo and Shanghai-Hangzhou expressways, expand long distance telecommunications services with other parts of the country as well as overseas telecommunications services, and start the second phase work of the diversion project in the upper reaches of the Huangpu River. In addition, we should gradually improve water, gas and electric supplies, the sewage system, and air pollution control. We should also strengthen traffic control, promote development of underground space, and increase the city's capabilities to prevent and control disasters.

In the next five years, the pace of housing construction will be accelerated. In the New Pudong Development Zone and along the elevated express ring road—upon which a start will soon be made—areas will be opened up for the construction of small residential developments with a pleasant environment, necessary amenities, and conveniences for daily life. Measures will be taken to actively transform, in a planned manner, the old housing areas, as well as the slum-dwellings and hazardous and crude houses according to the principle of making unified plans, fighting on exterior lines [WAI XIAN ZUO ZHAN], sharing of responsibility by different districts, and completing projects within a set time limit.

During the Eighth Five-Year Plan period, while implementing the plan to build 25 million cubic meters of new housing, it is necessary to focus attention on solving housing problems, and speed up the construction of homestead projects. By the end of the Eighth Five-Year Plan period, we will reach the level where families in the city proper that are capable of installing cooking gas will have cooking gas installed.

During the first year of the Eighth Five-Year Plan period, it is necessary to guarantee that the Nanpu Bridge is completed and put into operation; that the Wusong Road Bridge Dam, as well as its approach bridges and approach roads will be open to traffic on 1 May; and that phase-one of the Yanggao Road project will be completed on schedule. The Zhongshan North Road section of the elevated express ring road and the Yangpu Bridge will start construction as scheduled. It is necessary to fulfill the task of construction of 4.5 million cubic meters of housing, and requisition of 15,000 mu of land for housing construction.

To guarantee investments in living facilities and housing construction, funds should be raised through many channels. In addition to the overall planning by local financial authorities and support from the central authorities, we will rely on the whole society for funds through the issuance of bonds, building of low-cost housing by the people with state assistance, and other methods to speed up the construction of housing and gas facilities. The banking business should be further invigorated to attract more domestic and foreign capital. Construction of urban projects should be accelerated, land requisitioned in a unified manner and developed in a comprehensive way, the method of relocating housing improved, and the masses organized to engage in voluntary labor so as to reduce the expenses for the first-phase construction of the projects, cut down on expenditures for matters not related to projects, and increase investment returns.

To ensure the smooth progress of urban construction projects, it is necessary to arouse the enthusiasm of all sectors, and concentrate on fully exploiting our advantages to solve all problems. For each key project a powerful command system should be established to unify the transfer of resources, coordinate efforts in construction, and ensure completion of all projects at high speed and with good quality. Governments and departments concerned at all levels should cooperate and give support in terms of funds, land, manpower and material supply to ensure that all projects are completed on schedule.

In the construction of inner-city roads, it is especially necessary to coordinate the relationship of all sectors concerned, and make continuous efforts without delay. We should undertake and complete one project after another as soon as possible and strive to reduce inconvenience to the people's lives and traffic.

2. We shall vigorously develop tertiary industry with emphasis on commerce, banking, and so on, and increase the comprehensive functions of Shanghai as a city. Vigorously developing tertiary industry is an important way to develop the superiorities of Shanghai as a port, enhance its role as a central city, and create new financial resources. The Draft of the Outline noted that in the next five years, tertiary industry should maintain an annual growth rate of about 8 percent. By the end of the Eighth Five-Year Plan period, its proportion in the national economy should reach 35 percent.

In commerce, based on the concept of making Shanghai the largest trade center and most prosperous shopping center in the country, we will expand the scale of circulation, improve the structure of various trades, adjust commercial networks and markets, perfect the organization of trading establishments, set up several comprehensive multifunctional and large-scale wholesale trade centers for industrial, agricultural and sideline products geared to the needs of the whole country, and establish a number of new and modern commercial service centers which will include shopping, recreation, food service and lodging. We will rebuild the four streets

and one market in the center of the municipality into shopping and service streets with abundant commodities and outstanding services. Each street should have its own special characteristics. By adjusting and rebuilding various commercial networks and outlets, we will form 12 commercial centers at the district level. We will make an overall arrangement to restore and establish several specialized commercial streets.

In financial work, we will develop and improve the socialist financial system with the Central Bank as the leader, specialized state banks as the main body, and other financial organizations as reinforcements. These banks and financial organizations will cooperate with each other in their operations. We will increase the ability of enterprises to acquire long-term and medium-term credit and stimulate short-term loans. We will further increase various financial businesses, gradually improve stock market operations, adjust the foreign exchange regulating market, develop various insurance and leasing businesses, accept a number of foreign funded banks and other financial undertakings in a planned way, expand contacts with financial undertakings in fraternal provinces and municipalities and from outside China, and give full play to the role of financial undertakings in economic construction.

In addition to laying stress on developing commercial and financial operations, other new tertiary industry undertakings should also be developed during the Eighth Five-Year Plan period.

In real estate business, we will continue to implement the policy of leasing land and dealing with foreign firms, and invigorate the real estate market.

In tourism, we will raise service quality through improving the structure of tourist organizations, open up new spots for tourism, speed up the building of tourist facilities, and advertise to attract more tourists from foreign countries and other localities in China in order to increase the income from tourism by a relatively greater extent.

In communications and information, we will further strengthen various kinds of information service networks and have them serve the enterprises, the whole country and overseas customers. We should commercialize communications and information work.

During the Eighth Five-Year Plan period, we should reasonably adjust various policies for developing tertiary industry. We should increase investment in developing commerce, financial work, tourism and information service. We should appropriately open up some areas of operation in tertiary industry to foreign firms. We should encourage those enterprises in other localities which produce or handle famous brands and good quality commodities to set up permanent establishments in Shanghai and promote the prosperity of tertiary industry in Shanghai.

3. It is necessary to adjust the industrial structure and technological renovation with stress on raising economic efficiency and raising the competitive power of Shanghai's industry at home and abroad.

The adjustment of the industrial structure concerns the sustained power of Shanghai's economic development and the competitive power of Shanghai's industry at home and abroad in the entire 1990's. During the Eighth Five-Year Plan period, it is necessary to effectively grasp the work of reforming the industrial structure and reorganizing and transforming various enterprises to raise economic efficiency with the goals of reducing energy consumption, using less raw materials, cutting transportation costs down, applying high technology and producing items with high value. We should raise the quality of main industrial enterprises to that of the world standard during the later part of the 1980's.

The draft outline of the 10-Year Program and the Eighth Five-Year Plan for the Economic and Social Development of Shanghai Municipality has put forward a concrete concept for developing main industrial enterprises in the municipality. In accordance with this concept, light industry and other consumer goods industries should follow the trend of development of the world market, actively adopt new technologies, develop new products, improve packing, and raise quality of products in order to further increase the competitive power of Shanghai's products in domestic and foreign markets.

As to machinery and electronics industries, we should lay stress on forming associations, reorganizing and renovating major enterprises, carrying out technological transformation, and speeding up the integration of machinery and electronics industries. We should increase the export of machinery and electronic products to earn foreign exchange and further raise the level of machinery and electronics industries.

In the supply of raw materials, we should pay attention to the need of raising quality, increasing varieties and reducing consumption, and restructure the supply of raw materials. We should lay stress on promoting intensified processing of raw materials and develop and produce items which may replace imported products and items in short supply. We should emphasize comprehensive utilization of raw materials and provide various kinds of good quality raw materials for production and construction work.

As to new industries, we should continue to strengthen the aerospace industry. In addition, we should lay stress on developing microelectronic computers, bioengineering, optical fiber communications, laser and other high-technology products.

In order to realize the concept put forward by the draft outline, we should carry out massive technological transformation for various industries. During the first three years of the Eighth Five-Year Plan period, the municipality will establish a fund for urgent technological

transformation. According to the direction of industrial production, we will give priority to supporting the following things:

- (1) Major trades and products to be developed during the Eighth Five-Year Plan period and the Ninth Five-Year Plan period.
- (2) The 14 key scientific-technological projects and supplementary projects for promoting production.
- (3) The application of new and foreign technology in domestic production.
- (4) Major products for export which require high quality and intensified processing and can earn large sums of foreign exchange.
- (5) Projects which are conducive to raising the overall technological level of industry.
- (6) Major technological renovation projects which can give full play to the benefit of large-scale operation.
- (7) Major projects for adjusting the arrangement of industrial production in the urban area.
- (8) Major projects which can help reduce the consumption of energy and raw materials and promote multipurpose use of materials.
- (9) Major projects which import advanced technologies by using foreign funds.
- (10) Export-oriented industrial projects with advanced technology in Pudong's new district.

In order to realize the concept put forward by the draft outline, we must also speed up the organizational reform of enterprises. We must make up our mind to eliminate a number of backward trades and backward products which consume large quantities of energy and raw materials and cause serious pollution, and close or merge some enterprises which are inefficient and lack prospects for development. We should properly handle the matter of job placement for workers of those enterprises. We should formulate specific policies and measures to promote the reorganization, association and merge of enterprises. We should establish a number of interregional and interdepartmental enterprise groups which can compete with other enterprises at home and abroad. We should strengthen the planning and management of various trades and give full play to Shanghai's advantages in various trades. The technological transformation and organizational reform of enterprises are all for the purpose of raising the overall quality of Shanghai's industry and increasing its economic efficiency. We should seriously unfold activities of insuring a year of better quality, more varieties and higher economic efficiency in accordance with the arrangement of the State Council. We must carry out the task year after year in a permanent manner to insure concrete results.

We should make sure to stop the downward trend of various enterprises in economic efficiency within this year. We should make sure that local budgetary industrial enterprises can fulfill their tasks of making profits and returning taxes to the state with a total not lower than that of last year. The total amount of money to be delivered to the municipal treasury by all industrial enterprise in the municipality should be higher than that of the previous year. Accordingly, all enterprises must firmly establish the thinking that quality is the lifeline of Shanghai. We should focus our attention to grasping the management of various enterprises, use high quality products to expand and occupy markets, and strive to achieve maximum economic results.

Various departments in charge of industrial production should further implement the policy of letting enterprises have decision-making power. All fronts in the society should strive to reduce the burden of enterprises and create a favorable outside environment to invigorate enterprises.

4. It is necessary to attach importance to coordinated development of urban and rural areas, speed up the pace of agricultural modernization, and build up new socialist rural areas.

The revitalization of Shanghai is linked to the coordinated development of urban and rural areas. The draft outline puts forward the policy of integrating urban and rural areas, following the two basic points, promoting the coordinated development of the three industries, building the four bases, and speeding up the pace of agricultural modernization in Shanghai. The stable development of agriculture will have a significant bearing on the overall economic development and social stability in Shanghai. During the Eighth Five-Year Plan period, we must insure the basic stability of the production structure and the stable output of grain with some increase over the previous period. We should appropriately increase the acreage of cotton, and actively develop export-oriented agricultural production. We should continue to increase investment in agriculture. In particular, we should guide peasants to increase their investment of labor and to raise their investment of labor for public works in order to strengthen the collective economy and do a good job in irrigation construction. We should raise the level of mechanization in agricultural production. We should continue to implement the responsibility system with the household contract linking output to payment, improve the dual operational system of cooperative and separate farming operation, and improve the service system for agriculture. We should further improve the operation of state farms and give full play to their role as models. We should actively and properly promote the farming operation of marketable grain, cotton, and edible oil in an appropriate scale. We should raise the overall labor productivity of agriculture.

In the light of the decrease of the acreage of farmland in suburban areas each year, we must strengthen land administration and cherish and reasonably utilize every

plot of land. We should make sure that nonagricultural projects will use as little farmland as possible, and also make efforts to reclaim tidal land and improve farmland with medium or low yields. We should build some high standard fields with stable and high yields.

The vegetable basket project is one of three important and practical things we must strive to do well in the 1990's. This will have a bearing on the improvement of the livelihood of city residents and the stability and prosperity of the nonstaple food market. During the Eighth Five-Year Plan, the production of nonstaple food should increase at an annual average rate of 3 to 6 percent, along with the increase in the population and consumption. The output of major nonstaple food should increase to some extent on the basis of stabilizing their production. The stress of our work in this regard in the next few years is to be put on accelerating building a coordinated network of nonstaple food-producing centers, strengthening the scientific management of nonstaple food production, vigorously readjusting the variety structure of nonstaple food, and improving product quality and the channels of circulation. We should see to it that once nonstaple food is produced, it should be immediately supplied to city residents.

In achieving agricultural modernization, we should develop agriculture through science, technology, and education. Forces in various quarters should be organized to further carry out the bumper harvest plan, the Spark Plan, and the blazing Prairie Fire Plan, with the stress on tackling difficult problems in agricultural projects. Efforts should be made to popularize and apply achievements scored in agricultural scientific research, to improve the rural management and service network of science and technology, to raise funds for the development of agricultural science and technology through various channels, and to continuously increase our scientific and technological capabilities of serving agriculture. We should strengthen rural education, train qualified personnel of various types, stabilize and develop the contingent of rural scientists and technicians, and raise the levels of peasants' cultural and scientific knowledge.

We should continue to implement the principles of vigorously supporting village and town enterprises and developing rational plans ("guiding) and strengthening their management. In connection with the readjustment of the municipal industrial structure and in accordance with the plan for the development of villages and towns, we should gradually build a number of small industrial areas that are concentrated and have their own characteristics. We should guide village and town enterprises to further readjust their structures and to serve the purposes of supporting large industries and foreign trade. We should promote sound and steady development of village and town enterprises.

While developing the rural economy, we should conscientiously step up planning of the construction of villages and towns as an important task in building a new socialist countryside. Proceeding from reality and taking

a long-term point of view, we should pay attention to combining the economic, social, and environmental benefits and conscientiously make or revise plans for the construction of county seats, townships, and villages. According to local conditions, we should arrange a rational distribution of small production and residential areas, water and power supplies, roads, forests, factories, and villages with different functions and characteristics. We should do a good job in experimenting with selected points and use the experiences gained there to guide the work in an entire area. In accordance with the state requirement for counties in prairie-covered areas to make themselves green by planting trees, we should persist in afforesting areas by planting trees in a planned way and strive to build Shanghai's suburbs into a new, beautiful, prosperous, and civilized socialist countryside.

5. It is necessary to further develop science, technology, education, culture, public health, and other undertakings to promote economic construction and the progress of society as a whole. Undertakings such as science, technology, education, culture, and public health are important aspects in the building of spiritual civilization. During the Eighth Five-Year Plan, we will adopt positive measures to increase necessary investment in the development of science, technology, education, culture, public health, and other social undertakings to promote the improvement of the quality of Shanghai's economy and raising the civilization level of society as a whole.

Science and technology is the first productive force. In the Eighth Five-Year Plan period, we shall continue to carry out the fundamental policy stressing that economic construction must rely on science and technology, and that scientists and technologists should orient their endeavors to economic construction. We shall increase investment in science and technology through various channels and levels, rationally put science and technology to work, and make better use of Shanghai's scientific and technological strength. The main tasks suggested in the draft outline for promoting science and technology in the next five years cover research in applied technology, high technology, and basic science.

During the Eighth Five-Year Plan period, as we gear our efforts to economic construction, we shall augment the integration of science, technology, production, and trade, facilitate the transformation of scientific and technological results into productive forces, and solve crucial technical problems involved in the upgrading of traditional industries. In addition, we shall organize scientific and technological forces to assist in the development of agriculture; accelerate the construction of the new technology development zone in Caohejing; develop high and new technologies on a selective basis; and emphasize the industrialization of high and new technologies. Moreover, we shall design well the Fudong scientific park, keep abreast with the development of new technologies abroad, expedite research in basic science, build up technical forces, and enhance research in social sciences. Under the guidance of Marxism, we shall study,

and spread knowledge of, major theories and issues in connection with Shanghai's economic and social development in the 1990's in an exhaustive and solid manner, encourage scientific solutions, and build up scientific confidence, and promote the practice of making decisions in a democratic and scientific way.

Promoting education and raising the quality of the people is essential to the revitalization of Shanghai. The education front shall cultivate qualified people in various specialties for the 21st century and provide intelligent people needed for the modernization of China. Schools at various levels and of various kinds shall firmly adhere to the education policies of the party and the state, persist in the socialist orientation of education, give top priority to moral education, and raise the ideological, political, and professional levels of both educators and the educated.

Educational development during the Eighth Five-Year Plan period should focus on strengthening basic education and raising the status and level of Shanghai's basic education. In accordance with this requirement, it is necessary to greatly strengthen teachers' training; improve educational facilities; properly resolve the contradiction of continuing high school education by graduates of primary and middle schools; earnestly implement plans to reform curricula and teaching materials; and promote reforms of educational thinking, materials, and methods. It is also essential to continue to deepen reforms of educational institutions' management system, methods of running schools, and enrollment and the examination system. While improving and upgrading the conditions for running schools in Pudong's existing primary and middle schools, we should take Pudong's development into consideration and build (?a number of) quality middle schools.

During the Eighth Five-Year Plan period, it is necessary to further readjust the disciplinary structure of secondary vocational and technical schools, and to straighten out their management system. It is essential to concentrate on effectively running a number of pioneering vocational and technical schools, and to build a new vocational and technical educational training center in the new Pudong area. We should develop higher education steadily; readjust its structure and disciplinary system rationally; continue to reinforce key disciplines; forge close links between higher education and the economy and society; strive to improve educational quality and the efficiency of running schools; and stress variety. In carrying out adult education, we should vigorously conduct training, primarily, of personnel for key posts and mid-level and senior technical workers; actively develop continuing education; and comprehensively improve the quality of workers in all trades and professions.

The whole society should show concern for the youth's healthy growth; contribute more money toward education; integrate school education with that at home and in society; and nurture new socialists. Governments at all

levels and relevant departments should increase input in education; actively support educational endeavors; and promote coordinated development in education and economic construction. Cultural undertakings play an important role in Shanghai's modernization drive, which is oriented toward the world. It is necessary to further promote various cultural endeavors, such as news publication, broadcasting, movies, television, literature, and art. An important task during the Eighth Five-Year Plan period is to develop these endeavors by upholding the principles of serving the people and socialism and of letting a hundred flowers bloom and a hundred schools of thought contend, and by working hard to build a socialist culture with national traditions and Shanghai's characteristics. Press units should uphold correct media conduct. Publishing departments should give priority to social benefits; continue to print Marxist academic works; strengthen the compilation of local chronicles; publish more superior reading materials; and print a number of good cultural and artistic works on literature, movies, television, music, dancing, the fine arts, drama, and quyi, that are suitable for the large international city of Shanghai and are characterized by superb national traditions and distinctive features of the times.

It is essential to satisfy the people's diverse cultural needs; continue to hold various large cultural exchanges with foreign countries, such as international television, film, and art festivals; further expand cultural exchanges with foreign nations; stress the training of literary and art personnel; and improve literary and art troupes ideologically, politically, and artistically.

We shall strengthen management of various cultural markets and carry out the anti-pornography campaign unrelentingly. With each relying on itself, each district and county shall develop its own community culture with local characteristics. We shall increase investment in the recapitalization of Shanghai's outdated cultural infrastructure and technologies by accelerating construction of major cultural facilities, such as a new television tower, large opera houses, and modern libraries.

During the Eighth Five-Year Plan period, in an effort to improve public health in the city, we shall further augment the practice where the government takes charge of the work with the cooperation of various departments and with the people's participation in accordance with requirements for developing a world-class sanitary city. We shall further the patriotic public health campaign to raise the overall standard of public health in the city. We shall continue to emphasize prevention in public health care, step up efforts in preventive health care, strengthen the prevention and control of infectious and epidemic diseases inflicting severe harm on health, raise the quality of health care services, consolidate the medical establishment, and improve medical ethics and practices. In efforts to promote public health, we shall rely on scientific and technological advancements, accelerate personnel training, [words indistinct], and foster coordinated development of health care, preventive health

care, medical education, and medical research. In addition, we shall improve health care and sanitary conditions on a selective basis, consolidate the three-tiered health care network in the countryside, and improve the efficiency of existing health care and sanitary organizations. We shall promote the development of traditional Chinese medicine so as to strike a balance with that of Western medicine. We shall strengthen supervision of medical practice, enforcement of medical laws, as well as the legal system of health care.

In the work concerning physical culture, we shall step up training of athletes, establish good sportsmanship, and raise the standards of competitive sports. In addition, we shall promote sports activities suitable for the general public so as to improve the physique of the people.

The quality of environment has direct bearing on economic construction and the people's well-being. The draft outline, aiming at Shanghai's long-term development and improving the living environment of the people, calls for actively tackling pollution of the environment. During the Eighth Five-Year Plan period, we shall further our effort in environmental protection by stepping up the monitoring, prevention, and control of environmental pollution. In particular, we shall keep the headwaters of our potable water from being polluted. We shall accelerate the effort to fight environmental pollution, the management of environmental sanitation, and the greening campaign in the city. In this way, we shall be able to improve the quality of Shanghai's environment markedly and lay a sound foundation for steady improvement of the city's ecological environment.

As birth control is a basic policy of the state, we shall continue to control Shanghai's natural population growth. During the Eighth Five-Year Plan period, we shall strive to keep the city's natural population growth rate at 2-1000 annually. We shall strictly control the kind of population growth due to unnatural factors in the city, including the new Pudong area. To achieve these goals, we need to further the propaganda and education campaign on birth control, strengthen leadership, and manage the work in accordance with the law. In addition, we shall strengthen the birth control network that encompasses the county, district, town, township, neighborhood, and village levels, including residents committees. We shall improve technical services and ensure the implementation of current birth control policies and measures at the grass-roots level.

IV. Concentrate Efforts on Developing Pudong and Continue To Promote Reform and Opening

Smooth implementation of the goals outlined in the 10-Year Program and the Eighth Five-Year Plan depends, to a large extent, on whether we can achieve the desired results in reform and opening. The general requirements for Shanghai's reform and opening in the 1990's call for upholding the socialist orientation, expediting Pudong's development and opening, intensifying reform in a timely manner, gradually establishing a new

structure of socialist planned commodity economy, initially creating a new pattern for developing an export-driven economy; energetically promoting Pudong's development and opening to the outside world, and accelerating the development of an export-oriented economy under the basic principles of reform and opening laid down by the CPC Central Committee and the State Council.

The CPC Central Committee's proposals on formulating the 10-Year Program and the Eighth Five-Year Plan for National Economic and Social Development note that earnestly developing and opening up Shanghai's new Pudong area is an important task in the next decade. Throughout the 1990's, we should concentrate on promoting Pudong's development and opening, conduct various pioneering experiments with reform and opening in the new Pudong area, such as forging links with foreign countries, integrating the new and old areas, and combining planning with the market, propel the steady development of an export-driven economy in Shanghai, and make due contributions to economic development in the Chang Jiang Valley and across the nation.

The Eighth Five-Year Plan period marks the initial phase of Pudong's development. In the next five years, we plan to complete a number of key infrastructural projects, provide seven kinds of infrastructural services, and level sites for construction purposes as part of the effort to develop small localities in the new Pudong area; and to create basic conditions for attracting domestic and foreign funds and promoting development in the new Pudong area. Meanwhile, we plan to concentrate on charting [words indistinct] overall plans and long-term plans for various subdistricts. It is necessary to strengthen and implement various policies; improve the new area's management system; strive to launch a number of large joint ventures and cooperative projects in the next five years; institute an initial scale of development in the Waigaoqiao, Jinqiao, and Zhoupuadu development subdistricts; and continue to enhance investment returns.

Along with the construction of a large modernized harbor area, we should develop entrepot trade, bonded warehousing, and processing of export products in the Waigaoqiao Bonded Zone. We should integrate the development of the Jinqiao Export Processing Zone with the transformation of Shanghai's traditional industries, and build new enterprise complexes that are advanced, export-oriented, highly efficient, and nonpolluting. The state should construct modernized banking and office buildings, as well as a number of business service, cultural, and recreational facilities, in key financial and trading districts to promote the tertiary industry. In developing Pudong, it is essential to continue to consolidate and improve the three development zones of Minhang, Hongqiao, and (Caohejing); sum up experiences earnestly; and advance Shanghai's opening efforts. In developing export trade, it is necessary to pay attention to improving the structure, quality, and level of

export commodities, exploiting economic means to readjust the export product mix, and providing assistance to the export of a number of key, highly competitive products with development prospects in the international market. Tremendous efforts should be devoted to improving the quality and reputation of export products, packaging, marketing, and service. We should also lower the costs of exports and improve economic benefits.

We should seek new avenues for foreign trade and organize group corporations abroad. We should set up permanent foreign trade fairs and exhibition centers at home and abroad and plan more international markets. We should continue to bolster combined industry and trade enterprises and develop export-oriented joint ventures of various kinds. We should encourage more enterprises which enjoy favorable conditions, especially large- and medium-sized enterprises and enterprise groups which produce machinery and electrical products for export, to march into the world arena and participate directly in international competition. Meanwhile, we should vigorously develop international tourism, labor exports, and engineering cooperation. [sentence indistinct]

We should continue to channel foreign funds into accelerating Shanghai's economic development and urban construction. We should make full use of the preferential policy for the Pudong New Zone to attract direct investment from foreign, Hong Kong, Macao, and Taiwan businessmen in various ways, through various channels, and at various levels. We should attract funds from foreign banks and international banking institutions and strengthen the management of making, using, and repaying foreign loans. Foreign investments should be rationally oriented according to our industrial policy. A number of enterprises with advanced technology should be set up to earn foreign exchange through exports. We should particularly combine attracting foreign funds with transforming old enterprises, promote the technological progress of traditional industries and the upgrading and updating of products, and earn more foreign exchange by exporting more products.

We should continue to improve the investment environment, straighten out work procedures, simplify procedures for examination and approval, improve rules and regulations, and raise our work efficiency. In dealing with foreigners, one office should open one window and use only one stamp.

In developing Pudong and opening Shanghai wider to the outside world, we should attach great importance to the use of intellectual resources. We should use various training methods for various kinds of specialized personnel and establish a set of systems for turning human talent to good account. We should formulate preferential policies for attracting talented people and create conditions for the participation of various types of personnel with specialized knowledge in the development of Pudong and the revitalization of Shanghai.

We should unwaveringly continue to deepen reforms and uphold the principle of combining the planned economy with market regulation. While making efforts to solve outstanding problems in social and economic life, we should promote the all-round reform of the economic structure in a guided and systematic way.

According to the above requirements, we should deepen reforms in the following four aspects in the next decade:

1. We should strengthen the establishment of a macro-economic regulation and control system.

2. We should establish a socialist market system step by step.

3. We should readjust and straighten out basic economic relations, including economic relations between the state and enterprises, between municipalities, districts, and counties, and between the state, collectives, and individuals.

4. We should promote reforms in the Pudong New Zone.

During the Eighth Five-Year Plan, we should increase the vitality of enterprises, especially large- and medium-sized state enterprises, in accordance with their status as the central link in grasping reform. We should improve reform measures already adopted. We should conduct new reform experiments in selected units.

The draft outline points out: In the next five years, we should stress reform of the enterprise structure, the housing system, staple and nonstaple food prices, the social security system, and the banking system. In reforming the enterprise structure, we should persist in separating the functions of the government from those of enterprises and appropriately separate ownership from the right to operate. We should gradually build a vigorous operating mechanism for modern enterprises suited to development of the planned commodity economy. Although the other four reforms are aimed principally at solving some outstanding problems in economic development and the people's daily life, they will also help, in varying degrees, improve the external environment for enterprises; the other four reforms will make the social security system available to enterprises when the latter readjust or reorganize, and they will also make favorable financial market conditions available to enterprises when the latter develop production and carry out technical transformation. This will enable enterprises to free themselves from many social responsibilities and further concentrate on production and operations.

Reform of the enterprise structure. To deepen the reform of the enterprise structure, we should focus on changing the operational mechanism and raising economic efficiency. Main tasks in this regard are as follows: Continued efforts should be made to improve the contract managerial responsibility system. In renewing contracts for those enterprises whose original contracts have expired, the basic figures for the new contracts should be

rationalized in line with the principle of making minor adjustments while maintaining overall stability. At the same time, we should encourage the development of conglomerates and the amalgamation of enterprises and optimize the allocation of production elements. We should also deepen the internal reform of enterprises. This means the strengthening of enterprise management and the improvement of the systems of personnel and wages, profit retention and distribution, as well as financial management, including accounting and auditing. Experimental projects for separating enterprises' tax payment from profit delivery should be carried out in a well-guided and planned way. The relationship between the state and enterprises with regard to profit distribution should be defined step by step. Tests of the shareholding system among enterprises should be conducted on a wider scale in a vigorous and yet safe way. New ways should be explored for enterprises to raise funds and utilize foreign capital.

Reform of the housing system. The basic goal of this reform is to establish a new mechanism for the state, collectives, and individuals to make joint efforts to raise funds for housing construction, actively promote the commercialization of houses, and accelerate housing construction in the municipality. This year we will put into effect a new program, that is, setting up a public fund and issuing appropriate subsidies for housing construction, having the sellers of houses buy a certain amount of government bonds, giving preferential treatment to house buyers, and establishing a housing management committee. In the future, this reform will be gradually deepened as required by the practical situation.

Reform of staple and nonstaple food prices. Rationalizing the prices of staple and nonstaple foods, including grain, cooking oil, pork, eggs, vegetables, and bean products, is of great importance to promoting production and invigorating the market. This reform, which concerns the vital interests of the broad masses of residents, requires a sound plan and careful arrangements and should be carried out in a vigorous yet safe way under the condition that the general price level is strictly controlled. The magnitude of price adjustments should be kept within the limits that enterprises and our financial department can withstand. Also to be taken into full consideration is the residents' capacity to bear the impact of the price adjustments. If necessary, compensatory measures should be taken so as to ensure that the living standards of the vast majority of residents will not decline after the price reform. As for the concrete implementation of the reform measures, we should start from the easy ones and put into effect the proper measures at the correct times in a step-by-step manner.

Reform of the social security system. Adjusting production pattern and deepening enterprise reform both need a sound social security system as a guarantee. The target of Shanghai's social security system reform is to establish a social insurance mechanism for the state, collectives, and individuals to jointly provide for unemployment,

old-age, and medical insurance. Emphasis should be placed on the establishment and improvement of two insurance systems. One is the unemployment insurance system. With the reform of the wage system, we should enlarge the scope of unemployment insurance and perfect the methods for helping the jobless people. We should gradually put into force the employment method whereby employers and job applicants can choose each other. In addition, we should make perfect the various labor service systems, including the employment agency system and vocational training and guidance services. The other is the old-age insurance system. Enterprises and most institutions in our municipality should introduce an old-age insurance system for their employees who have to pay a certain amount of premium to be covered by this insurance. As for individually owned workshops and stores in urban and rural areas as well as private enterprises, the main system should be an old-age insurance with premium paid by the insured individuals. In rural areas different forms of old-age insurance should be introduced as conditions require.

Reform of the banking system. Development of the financial market is an objective requirement in order to increase the vitality of enterprises, improve the role played by urban areas, and expand the openness to the outside world. In conjunction with the development of the Pudong area, it is necessary to establish a number of banks and financial corporations with Chinese and foreign investment and banks which are solely owned by foreign investors. Efforts should be made to develop and improve the securities market, foreign exchange adjustment market, and short-term loan market. While ensuring strict control, there should be more channels for enterprises to make investment in various fields. The scope of transactions in bonds and stocks should be gradually expanded. The variety of securities handled by the Shanghai Securities Exchange should be increased and the securities market should be opened to the outside world step by step in a planned way under the guidance of the central department concerned. Enterprises should be encouraged to issue stocks for markets outside Shanghai if they are qualified to do so. Further efforts should be made to improve the credit loan responsibility system. In addition, savings banks for raising funds for housing construction should be established in various localities.

V. Step Up the Building of Socialist Spiritual Civilization and Mobilize All Positive Factors To Strive To Attain the Grand Objectives of Shanghai's Development

The attainment of the strategic objective of the 1990's is the common wish of people in the whole municipality. We are full of confidence in our future. At the same time, we must also soberly see that Shanghai's economic development and city construction will continue to be limited by such shortcomings as the shortage of resources and funds, that the tasks of readjusting the economic structure, raising economic efficiency and increasing the vitality of enterprises are still very

arduous, and that we may still face unexpected difficulties and problems in carrying out reform and the open policy. Those difficulties and problems may create some contradictions and confusion in people's mind, and there are still some unstable factors in the present stable society.

In order to overcome all difficulties and accomplish the great task of revitalizing Shanghai, the key lies in mobilizing the masses, giving full play to favorable factors in various fields, uniting all the people as one, raising our consciousness, and making progress with a pioneering spirit.

1. It is necessary to further strengthen the building of socialist spiritual civilization. The building of socialist spiritual civilization is an important goal in building socialism with Chinese characteristics as well as an important guarantee for promoting the building of material civilization.

Shanghai must cater to the world and further open to the outside world. Therefore, we must further liberate our thinking and enhance our consciousness of opening to the outside world. On the other hand, we must also heighten our vigilance and guard against corrosion and infiltration by corrupt ideology and culture. We should oppose bourgeois liberalization. At the important historical period of revitalizing Shanghai and developing Pudong, we should see various favorable conditions and also see difficulties on our advancing road. Accordingly, we must strengthen the building of socialist spiritual civilization and unite the broad masses of cadres and people to fulfill the grand objective in the 1990's.

The improvement of ideology and morality is the essence of building spiritual civilization and sets correct orientation for building spiritual civilization. In order to achieve the goal of bringing up one new socialist generation after another with high ideals, moral integrity, a good general education and a sense of discipline, we must penetratingly unfold education on patriotism, collectivism and socialism. We should form a new custom of loving the motherland, loving the people, loving labor, loving science and loving socialism in the whole society. We should adapt ourselves to building a socialist modern international city and give prominence to education on social morality, professional ethics, family moral principles and youth behavior. We should continue to unfold activities of providing good service, good order and good environment, and of establishing "five good" families. We should further foster the good social customs of becoming civilized residents, creating civilized units and building a civilized city.

We should, in two to three years' time, systematically conduct ideological and political education for staff members and workers in urban areas and for peasants in rural areas respectively with stress on the party's basic line, basic national situation and folk sentiments. In carrying out ideological and political education, we should not avoid hot and difficult points in the masses,

ideological understanding. We should analyze the domestic and international situation and the root cause of problems in ideological understanding, and find basis and methods for solving those problems. In this way, we will be able to raise the political consciousness and ideological quality of the broad masses. We should enhance the masses' sense of responsibility as masters of the society in carrying out reform and opening to the outside world and in promoting socialist modernization.

We should persist in unfolding activities of building spiritual civilization jointly by the armymen and the people, and do a good job in carrying out the activities of supporting the army and giving preferential treatment to families of revolutionary armymen and martyrs and of supporting the government and cherishing the people. We should strengthen education on national defense and enhance the people's consciousness of national defense. We should give full play to Shanghai people's honorable tradition of trusting the army, loving the army, showing concern for the army and supporting the army. We should further promote and constantly develop the harmonious relations formed throughout the years between the army and the people.

In carrying out ideological and political work, we should carry forward and give full play to fine traditions, conscientiously study the new situation and new characteristics, pay attention to actual results, and explain things to the masses in accordance with their special characteristics and in a lively and versatile manner. We should attach importance to the guiding role of public opinion in the society, foster a new style with a clear-cut stand, and criticize unhealthy tendencies.

In building spiritual civilization, we should also adhere to the principle of doing practical things. We should accomplish several things which may promote good styles each year and persist in our work for several years in order to achieve actual progress.

The improvement of education, science and culture and the improvement of ideology and morality are complementary to each other. They all promote the development of material civilization. The draft outline has made specific arrangements for the work of developing education, science, and culture. On this basis, we should formulate a plan for promoting spiritual civilization in the whole municipality, and include it into the general plan for promoting economic and social development.

The intellectuals are an important force in building socialist spiritual civilization and promoting socialist modernization. The whole society must respect knowledge and respect people with talents. Leading cadres at various levels must earnestly do practical things to improve working and living conditions of intellectuals. We should advocate and carry forward the patriotic spirit of China's outstanding intellectuals and their spirit of devotion. We should encourage the broad masses of intellectuals to go deep into the realities of life and make new contributions to the great cause of promoting

socialist modernization and of carrying out reform and opening to the outside world.

2. It is necessary to improve socialist democracy and legal system. We should extensively mobilize and rely on the masses in building socialism under the leadership of the working class. We should implement the principle of people's democratic dictatorship with the alliance of workers and peasants as the foundation. We should further develop socialist democracy. Governments at various levels must consciously accept supervision by the people's congress and by the standing committee of the people's congress at the same level. We should attach importance to and develop the role of democratic parties and people of various circles in the society in providing political consultations and exercising democratic supervision.

We should establish and perfect the procedures and system of democratic supervision and make policy decisions in a democratic and scientific manner. In particular, before the implementation of important reform measures, we should extensively listen to opinions from various sides, and fully and reasonably reflect the will and interests of the masses of people. We should attach importance to and develop the role of masses' organizations—including trade unions, the Communist Youth League, and women's federations—as bridges and links between the party and the people. We should unite with the broad masses of people to promote the development of economy and all other work in the society. We should attach importance to work related to nationality affairs, religion, overseas Chinese affairs, and Taiwan. We should unite with people of various nationalities, compatriots in Hong Kong, Macao and Taiwan, and overseas Chinese to work with concerted efforts for the revitalization of Shanghai Municipality.

We should effectively carry out the work of civil affairs and strengthen the building of political power at the grassroots level. We should give full play to the positive role of various districts, counties, neighborhoods, townships, towns, residents' committees and villagers' committees in the comprehensive improvement of public security, city administration, and building socialist spiritual civilization.

We should strengthen socialist legal system and insure the democratic and legal system of socialism. We should guarantee the people's right of being the masters of the country and insure stability and unity and permanent peace in the society. At the same time, we should use the norm of law, economic relations, and social activities to insure that all economic and social activities are carried out in a lawful manner. We should continue to straighten out laws, regulations, rules and related documents, and gradually perfect various economic and administrative laws. We should persist in making decisions and carrying out administrative work in accordance with law. We should implement the Second Five-Year Plan for popularizing knowledge of law and extensively conduct education on the legal system among all citizens in the

municipality while adhering to the central task, and continue to raise the socialist legal consciousness of cadres and masses.

Government personnel, especially leading administrative cadres at all levels, should play a leading role in studying, enforcing, and abiding by law so as to set an example for the people. They should do well in implementing the administrative procedural law and establish and make perfect a work system for administrative organs to perform their functions according to law.

It is necessary to earnestly strengthen the judicial administrative work contingent and to persist in making comprehensive efforts to improve public order. We should mobilize and organize the forces of all social sectors by political, economic, administrative, and legal means so as to deal hard blows—according to law—to serious criminal offenses and all kinds of crimes detrimental to social stability. Continued efforts should be made to strike hard at economic crimes and deepen the struggle to wipe out the six vices so as to maintain a normal social order and create a sound social environment.

3. We should go all out to ensure a clean and honest government and wage an in-depth struggle against corruption. With the deepening of the reforms and expansion of our openness to the outside world, it is imperative to further strengthen the effort to ensure the cleanliness and honesty of our government, carry out the anti-corruption struggle, and maintain close ties between the government and the broad masses of people. Government functionaries and all other personnel, leading cadres in particular, must be upright and incorruptible, work diligently and efficiently, and serve the people wholeheartedly. They should resist various unhealthy practices on their own initiative. In close connection with economic construction, it is necessary to strengthen supervision and checkups, with emphasis on investigating and dealing with the cases of law offenses and discipline violations among leading organs as well as administrative, judicial, and economic supervisory departments. Those who have committed economic or other crimes, who have abused official power for selfish ends, and who have bent the law to practice favoritism must be tried according to law, and there should be no appeasement regardless of the offenders' posts once their crimes or malpractice have been verified. As for those who display a serious degree of bureaucracy and are derelict of duty thus constituting malfeasance, it is imperative to investigate and determine their liabilities according to law. Those who have failed to obey orders and prohibitions and who have violated law and discipline must be dealt with seriously.

We should make great efforts to rectify and correct the unhealthy practices of government departments and various professions and trades, and give full play to the role of law-enforcement and supervisory departments, including industrial and commercial administrative departments as well as financial, taxation, price, public

security, customs, auditing, and supervisory departments. We should encourage and support democratic parties, mass media, and the masses of people to exercise social supervision. With regard to those problems which the masses have seriously complained of, which are of a serious nature, and which have an extensive effect, we should devote great efforts to solving them.

This year all professions and trades should pay close attention to three major things: ideological education, institution of the necessary systems, and leading cadres. It is imperative to combine the efforts to correct unhealthy practices with the campaign to learn from Lei Feng, self-examination with the solicitation of information from the masses, open checkups with secret investigations, and the examinations of various cases with the rectification and perfection of regulations and rules. Particular attention should be paid to correcting the unhealthy practices of those trades that are closely related to the people's daily needs. Examination and rectification should be conducted simultaneously. Experience gained in certain localities should be used in developing the work in the whole area. In this way the work of correcting unhealthy practices will be promoted in the entire municipality.

To ensure honesty and cleanliness, oppose corruption, and correct unhealthy practices of various professions and trades, we should persevere and act unrelentingly in a down-to-earth way. From now on, no matter where corruption or unhealthy practices are found, we should investigate and deal with them resolutely and promptly. By so doing, we will inspire the masses of the people, reinforce their confidence, and enable them to see their bright prospects.

Fellow deputies, the era of the Eighth Five-Year Plan period has begun. The great plan for revitalizing Shanghai has unfolded before our eyes. In order to attain our objectives and realize our ideals, it is necessary that we make protracted and arduous efforts. We must hold even higher the banner of reform and opening to the outside world, further emancipate our minds, change our old ideas, have the courage to set forth new ideas, undertake Pudong's development in an even better, faster and bolder way, and accelerate Shanghai's development. We must consider the interests of the whole, coordinate our actions, have the courage to take up responsibility, and rely on collective wisdom and the masses' strength to do Shanghai's work well together. We must improve our work style, integrate efforts to improve work efficiency with Shanghai's development in mind, resolutely implement our plans and policies, and do all work in a down-to-earth way. We must carry forward the cause pioneered by our predecessors and forge ahead into the future, plant our feet on solid ground, quietly immerse ourselves in hard work, and display a persevering spirit in order to overcome difficulties which lie ahead and to make new contributions.

We are convinced that under the correct leadership of the party Central Committee, the State Council, and the

Shanghai Municipal CPC Committee, with concerted efforts by Shanghai's workers, peasants, intellectuals, and cadres at various levels in the glorious tradition of the revolution, with unity and cooperation from all democratic parties and all patriots, including Hong Kong, Macao, and Taiwan compatriots and overseas Chinese compatriots, and with the energetic support of fraternal provinces and municipalities, PLA units, and armed police units in Shanghai, we certainly can fulfill the 10-Year Program and the Eighth Five-Year Plan successfully. Great plans lead to unified will, and heavy responsibility makes people work hard. Let us work with one heart and one mind and share weal and woe to open up Shanghai's future. [applause]

Shanxi Conducts Public Opinion Poll on Reform

91c LUNSAI Taiwan SHENAI RIBAO in Chinese
25 Apr 91 p 1

[Article: "Poll Finds Stability, Reform, and Development Are Shared Wishes"]

[Text] The Research and Investigation Office of the Propaganda Department of the Shanxi CPC Committee recently conducted a 10,000-people public opinion poll across the province. The poll shows that vast numbers of people and cadres share a desire to stabilize the overall situation, continue reform, develop the economy, and take the road of socialism with Chinese characteristics firmly and unwaveringly.

This survey combined the questionnaire method and informal discussions, and involved 130 units including 12 prefectures (municipalities), 23 counties (districts), 10 mining enterprises, three offices, and five institutions of higher education. A total of 9,750 valid responses were received. Participating in the poll were 2,924 workers, 2,915 peasants, 1,452 institutional cadres, 1,300 college students and teachers, 468 scientific and technical personnel, and 500 township residents.

The Political and Economic Situation Is Stable, People Live and Work in Peace and Contentment, and the Spiritual Status Is Healthy and Looking Good

In the survey, 29 percent of the respondents thought that China today is politically and economically stable and people are calm. 46.7 percent thought that despite the presence of a few destabilizing elements, the situation overall is stable, and 21.3 percent thought that China is politically stable but there are quite a few economic problems. Only 2.2 percent thought that the situation is not good.

Asked "how does your living standard compare to last year?" 20.6 percent of the respondents said that their "income have gone up and living standards have definitely improved," and 51.4 percent said that their "incomes have increased," their livelihood was stable, and they were satisfied. Another 20.6 percent said that although their incomes had gone up, their living standards had scarcely improved due to price increases. Only

6.6 percent reported "a drop in income and a decline in living standards." In informal discussions, most people said that price increases had been brought under control and were no longer fearful that prices would go through the roof. While they still had some complaints about inequitable distribution and the problem of mental and manual labor commanding different wages, a majority of people indicated that life was getting better and the masses were working and living in peace and contentment.

Following the stabilization of the political and economic situation and the intensification of ideological and political work, the ideological status and spiritual outlook of the people have changed notably. The poll shows that 83.5 percent of the respondents considered their spiritual status good and their work dedicated, including 32.6 percent who described themselves spiritually as "striving, hard-working, and full of confidence about their work," and 50.9 percent who said that although they were not happy about some issues, they managed to put work first and were conscientious. A mere 3.7 percent of the people "lack confidence, are pessimistic and disillusioned." This shows that spiritually speaking, a vast majority of the cadres and people are positive and forward-looking and have confidence in our cause.

The Four Cardinal Principles Are Being Upheld: Opposition to Bourgeois Liberalization Has Struck Root in the Hearts of the People, and the People Are Now Further Committed to Taking the Socialist Road

Asked what their views were on the "educational campaign to uphold the four cardinal principles and oppose bourgeois liberalization," 31.9 percent of the respondents said that "the results have been remarkable and the level of political consciousness about opposing bourgeois liberalization has gone up." 32.9 percent described the educational campaign as "quite successful" and said that it had "helped clear up some misunderstanding." 25.4 percent said that it had worked to a limited extent but that problems of a deeper ideological level still needed to be resolved. In addition, 9.1 percent described the educational campaign as "perfunctory and ineffective."

In response to the question "What are your views on private ownership, the multi-party system, and the parliamentary democratic system?" over 90 percent of the people said that "they are capitalist economic and political institutions incompatible with China's national conditions. We must not have anything to do with them." Only 5.1 percent thought that they represent "the trend of the times and that sooner or later China must go down that road."

On putting down the disturbances and suppressing the rebellion, 61.3 percent thought that the situation overall has been stabilized, while 31.9 percent thought that although a number of problems have yet to be worked out, the situation has achieved some semblance of stability and unity. This view was held by 91 percent and 90.9 percent of college faculty and students, respectively, far higher than the proportions in the 10,000-people

survey in 1989. This consensus fully shows that the desire for stability and the opposition to disturbance is widespread among the masses as well as large numbers of cadres.

Asked what their views were on "China taking the socialist road," 87.2 percent of the respondents said that the achievements have been spectacular, that only socialism can save China, and that only socialism can develop China. A mere 2.7 percent believed that it is not strictly necessary for China to take the socialist road, that perhaps China may develop even faster if it adopts capitalism. We can see from the above that firmly adhering to the road of socialism with Chinese characteristics is consistent with the interests of a vast majority of the people.

The Drive to Improve the Economic Environment and Rectify the Economic Order Has Been Remarkably Successful: Deepening Reform and Expanding the Open Policy Has the Support of Vast Numbers of Cadres and the Masses

Asked to give their views on the successes and failures of a decade of reform and openness, 84.1 percent of the respondents said that with its enormous achievements, the decade of reform and openness has been a success on the whole despite its failures and mistakes. Only six percent believed that "the failures of the decade were so extensive that they outweigh its limited achievements." The consensus among the cadres and masses is that reform and openness is the way to make the country powerful and the people rich and that the achievements of the past few years cannot be denied. They said, "What the masses fear most these days is a change in policy. The party's reform and open policies are popular among the people and are in line with their wishes. We must continue to implement them firmly."

Asked what they thought about improving the economic environment, rectifying the economic order, and continuing reform, 34.1 percent said that it has been "distinctly effective" and that the national economy is now beginning to develop in a "positive direction." 90.7 percent thought that numerous problems notwithstanding, it has been quite successful, and only 2.8 percent had a negative attitude toward it. In informal discussions, most people noted that the drive to improve the economic environment and rectify the economic order has gone a long way toward cooling the overheated economy and getting rid of structural imbalances, inflation, and economic chaos. Still, problems like market sluggishness, fund shortages, and low profitability cannot yet be ignored.

The enterprise contract responsibility system was deemed "successful" by 17.2 percent of the respondents, who said it "must be continued," and "basically successful" by 57.1 percent, who noted that it still had a lot of problems and that contract methods must be improved. Another 16.9 percent said that "there are both pros and cons about the contract responsibility system and that we have yet to come up with something better." Of the

2,915 peasants polled, 38.4 percent believe improving unified management and developing the village-level collective economy is "an urgent need in rural economic development at the present moment, a guarantee of the common property of peasants," and 44.7 percent said that "policies should vary depending on how productive forces are developing in different localities, instead of being imposed uniformly across the board." Asked to name the "most important task in rural work today," 32.2 percent picked "stabilizing and improving the household responsibility system linking remuneration to output," 18 percent chose "popularizing and disseminating agricultural S&T," 16.5 percent chose "improving unified management and developing the village-level economy," and 13 percent said that the most important thing was to "step up village-level organizational construction centered on the party branch." This shows that the vast majority of peasants not only support the household responsibility system of linking remuneration to output but also demand that it be improved continuously, that the collective economy be expanded, that agricultural S&T be disseminated, and that we take the road of common prosperity. This is a good sign in the current drive to deepen rural reform.

FINANCE, BANKING

Customs To Facilitate Foreign Trade Service

91CE03341 Hong Kong LIAO ANG [OUTLOOK]
OVERSEAS EDITION in Chinese No. 3, 21 Jan 91
pp 13-14

[Article by Dai Jie (2071 0267), chief of the General Administration of Customs: "Chinese Customs Vigorously Serve the Open Policy"]

[Text] Since China implemented the open policy, customs work has undergone great development. In 1991 Chinese customs processed over 200 million tons of import and export goods and inspected and released nearly 70 million passengers entering and exiting the country, two-fold and 13-fold increases, respectively, compared to statistics of 1978 before the adoption of the open policy. Incoming and outgoing postal materials and various means of transportation have also shown substantial growth. In response to the new situation of reform and opening up, the customs have reversed the traditional concept of passive defense, adhered to the principle of facilitating opening up, deepened the reform of various services, and promoted foreign economic relations and trade, scientific, technological, and cultural exchanges, and friendly contacts.

With the rapid development of foreign economic relations and trade, the customs have reformed the supervision and control system, simplified procedures, and provided conveniences for legal entry and exit. Some customs have implemented systems under which import and export goods can be declared, inspected, and released alongside ship 24 hours a day, thus speeding up the inspection and release process to help direct port

traffic. As for complete sets of equipment, precision instruments, valuable goods, urgently needed materials, and container freight, customs sends people outside the supervision and control areas to render inspection and release services. To meet the needs of opening up, the customs have opened customs offices in inland areas where there are many import and export activities and coastal open zones to help enterprises carry out customs procedures. For commodities that are delivered to and from inland areas through ports of entry or exit, inland customs are established to handle directly the import and export procedures in accordance with the method of transfer shipment. At the same time, the customs have continued to improve the supervision and control system consisting of first-stage management, on-the-spot supervision and control, and follow-up management, and explored and implemented on a trial basis new supervision and control models. To change the congested situation of the highway transportation of Huanggang Port of Shenzhen, the Jiulong customs has built a limited-access transfer ground to exercise stricter supervision and control and provide more convenient entry and exit. To raise work efficiency and the modernization level of management, the Jiulong, Guangzhou, Shanghai, and Tianjin customs have used computers to automate operations concerning inspection sheets, taxation, verification, statistics, and release, and have established an automated system for declaring goods passing through the customs. All this has shown great results.

In recent years some enterprises have vigorously developed the export-oriented economy, and the customs have also vigorously adopted measures to support them such as implementing the management system of bonded factories warehouses. Moreover, to encourage export-oriented enterprises to develop in the direction of multiple processing and earn more foreign exchange for the state, some customs have developed "united bonded factories" and "two-tier management warehouses." After allowing television and woolen textile industries to be bonded as groups on a trial basis, the Beijing customs have enabled these industries to reduce production cost, increase the competitiveness of such products on the international market, and improve production and management. In recent years, the Jiulong customs approved the construction of China's first bonded warehouse for export goods, providing convenience for the owners of the goods and facilitating export. Currently China has more than 500 bonded factories, 1,100 bonded warehouses, and over 800 "trustworthy enterprises." Most of these enterprises have achieved good economic returns. In 1990 the processing of imported materials increased 28 percent compared to the previous year and the labor income from such processing reached \$700 million, an increase of 13 percent.

To meet the needs of sustained, stable, and coordinated national economic development and the demands of the improvement and rectification campaign, customs has vigorously developed the regulatory functions of tariffs to serve state macroeconomic regulation and control. In

recent years domestic-made sonogram machines have reached the advanced level in quality and can satisfy domestic demand. However, a large number of such machines were still being imported. This not only affected domestic sonogram machines but also resulted in the loss of a large amount of foreign exchange. The timely feedback of this information by the customs attracted the attention of the leadership of the State Council. Consequently the import tariff rate of sonogram machines was readjusted to stop blind imports. Since 1989 the customs have followed the production, supply, and marketing situation of import and export goods and import and export development trends in accordance with the principle of restricting the inferior and supporting the superior stipulated by the state industrial policy, and made timely proposals on readjusting tariff rates. The State Council Tariff Regulations Committee decided to readjust the tariff rates of some import and export commodities on nine different occasions, and played the role of protection and promotion in restricting the blind import of advanced technology and equipment and the export of raw materials that are in short supply at home.

Tariffs are an important source of state revenue. In recent years, the customs have continued to improve the tariff collection and management system, strengthen the work of tariff classification and price estimate, intensify the screening of import and export goods, correctly calculate and levy tariffs, and prevent mistakes, loopholes, and evasion of tariffs, thus guaranteeing the state's tax revenue. In view of the situation that the money supply is tight on the market and that enterprises owe a large amount of taxes, the customs have adopted effective measures to expedite collection of overdue taxes, achieving outstanding results. In 1990, thanks to the hard work of their customs, the ports of Tianjin, Jialong, and Zhanjiang collected all overdue taxes and became ports with no back taxes. Between 1979 and 1990, China's customs collected a total of 129 billion yuan in tariffs, accumulating funds for construction of the state.

Because some foreign investors once were suspicious of China's open policy, customs in all areas have adopted such methods as door-to-door advertisement, consultation, and holding forums to publicize customs laws, rules, and regulations concerning foreign nationals. In accordance with the state's preferential policies for enterprises with foreign investment, special economic zones, coastal open cities, economic and technological development zones, and coastal open zones, the customs have also offered advice to enterprises, helping them solve problems and take advantage of these preferential policies. They have achieved fairly good results in this regard. Between 1979 and 1990, China's customs granted more than 65 billion yuan in tariff reduction and exemptions. This played a positive role in expanding the use of foreign funds and accelerating the development of the export-oriented economy.

The 11th Asian Games held in Beijing in 1990 presented a severe test for the customs. To do a good job in

welcoming the Asian Games, the customs headquarters established a leading group and set forth clear and unequivocal demands concerning the screening and release of Asian Games supplies for tax reduction and exemption purposes, as well as the storage and control of luggage and belongings of athletes, coaches, reporters, and travelers entering and exiting the country. The Beijing customs, which had the heaviest responsibility, set up a special window at the declaration counter for Asian Games supplies. It also reserved a gate at the Beijing airport especially for Asian Games personnel and had it guarded. To provide convenience for friends of all nationalities, it also stationed work groups at the site of the Games. Before and after the Games, pertinent customs officials inspected and released over 67,000 tons of Asian Games supplies and 190,000 passengers. With great efficiency and polite service, they satisfactorily fulfilled their tasks.

Nineteen-ninety-one is the first year of implementation of the Eighth Five-Year Plan as well as the critical year for improving the economic environment, rectifying the economic order, and deepening the reform. China will take an important step in readjusting the industrial structure of the national economy, further open up to the world, and begin to comprehensively implement the foreign trade management system, under which enterprises assume sole responsibility for their own profits and losses and make their own management decisions; industry and trade are integrated, and a united stand is adopted when dealing with foreign customers. All these reforms and readjustments have created many new situations and problems for the customs. To safeguard and promote social stability and economic development at home and better serve the policy of opening to the outside world, the customs should thoroughly implement the principle of "regarding promotion as the key" and further deepen the operational reform to ensure that various customs policies and measures are coordinated with the strategic steps of the state's open policy, that various operational management systems and operational procedures are compatible with the development of foreign economic relations and trade and of scientific, technological, and cultural exchanges, and that the tariff system is in line with the state demand for readjusting industrial structure and product mix and further improving the operational mechanism that integrates the planned economy and market regulation.

—Further improve supplementary customs measures for supporting expansion of the open policy. We should study and formulate detailed rules for implementing the procedures for administering the Shanghai Waigaoqiao bonded zone, an overall plan for the supervision and administration of the Pudong development zone, and procedures for the supervision and administration of other bonded zones approved by the State Council. In accordance with clear, open, and highly functional principles, we should revise and promulgate a series of regulations for administering the import and export of goods produced by foreign-funded enterprises. "Three-capital" enterprises should

be given the title "trustworthy enterprises" after the examination and approval of the customs if their administration and management have been fairly good, if they have always abided by the law, and if they have submitted a written application. In addition, they will also be given conveniences in management accordingly. We should establish a system to link up and coordinate all customs along the continental bridge between Asia and Europe and do a good job in preparing for the various forms of coordinated transport and administrative systems after such a link is established.

—Further reform the tariff system. In accordance with the state's demand for structural readjustment and foreign trade system reform, we should quickly study ways to readjust tariff rates, increase the difference between preferential and regular tariff rates, concentrate on the transition of current tariff regulations to a "coordinated commodity names and coding system," and do a good job in preparing for implementation of the coordinated system.

—Deepen reform of the system of processing through customs. Coordinating with the popularization and use of computerized declaration, we should carry out necessary reforms in the administration of enterprises, personnel, procedures, and forms of customs declaration, define the customs' right to examine and approve declaring enterprises, and set forth policy limits and control measures for declaring enterprises engaging in the declaration activities in areas where they are not registered with the customs. We should use the highway transport control system of Shenzhen port as a breakthrough point and increase the speed of processing through customs by changing the form of declaration, clarifying legal responsibility, and enlarging the scale of differentiation. We should also enforce a stricter control system and explore a new model for processing through land customs.

—Carrying out further reform of the control system for nontrade articles. We should conscientiously review the successful experience gained by the customs in inspecting and releasing the articles carried by 11th Asian Games personnel entering and exiting the country and study ways to change the on-site layout and operational procedures and systems. We should simplify procedures, provide polite safekeeping services, and speed up the release. We should also strengthen control and increase the ability to make prompt on-site decisions and handle unexpected incidents.

—Further strengthen macroeconomic control. In accordance with the reform of foreign trade system, we should strictly enforce the permit management system. We should improve customs management over the import and export of processed goods, centering on strengthening follow-up management, and raise the level of tariff collection and management, concentrating on the work of estimating prices. We

should strengthen anti-smuggling efforts in maritime and shipping channels, vigorously attack drug, cultural relic, and cigarette smuggling, and other violations of law such as falsifying declaration forms, hiding articles in secret places, and forging permits to smuggle commodities requiring a permit and other commodities under state import and export restrictions. We should further develop cooperation with other administrative and law enforcement departments in the anti-smuggling work so as to maintain normal order in customs entry and exit and guarantee the sound development of foreign trade and economic relations.

—Strengthening the legal system of the customs. On the basis of sorting out all customs rules and regulations, we should study a series of legal issues which urgently need to be resolved, gradually improve legislation, and increase the openness of such rules and regulations. We should strengthen the interpretation of legislation and the administrative interpretation of rules and regulations while doing a good job in standardizing the customs' law enforcement activities and institutionalizing the supervision of law enforcement and improving administration according to law. To meet the needs after implementation of the "administrative litigation law," we should strengthen the work of reexamining and handling cases and, at the same time, discover, study, and solve specific problems existing in customs legislation and law enforcement so as to bring customs supervision and control duties more into line with the demands of the legal system.

—Strengthen the ideological progress of the customs. In accordance with the demands of the government functional system, we should strengthen education and training, guide customs personnel in establishing the concept of customs, learning professional ethics, abiding by professional disciplines, and improving professional skills, and continue to improve the quality of customs personnel. We should insist on the strict management of customs and conscientiously carry out the anti-corruption struggle. Through improving internal supervision and restraint mechanisms and accepting extensive social supervision, we should oppose unhealthy tendencies in the industry and maintain the honesty and integrity of customs personnel so as to enable the customs to make greater contributions to reform, opening up, and stable and coordinated economic development in the new year.

LABOR

Labor Union Helps Relieve Nickel Company Losses

OW 1805083491 Beijing XINHUA in English
0217 GMT 18 May 91

[Text] Beijing, May 18 (XINHUA)—Thanks to the efforts made by its labor union, the Jinchuan Nonferrous Metal Corporation has sustained steady growth despite decreases in its mining capacity, today's WORKER DAILY reports.

The Jinchuan Company, China's largest nickel producer and located in northwestern Gansu Province, closed its open pit last year, which reduced its mining ability by 5,000 tons of nickel content and made it difficult for the company to escape economic loss.

To help face the challenge, the company's labor union has organized the workers to start various kinds of work contests that improve work efficiency by stressing the importance of science and efficiency.

In regards to the company's smelter, for instance, the workers submitted over 234 suggestions in the first quarter this year, of which 201 have been accepted.

Their efforts have paid off, as the company has progressed steadily in the past months.

The nickel output, sales-income and profit of the company achieved in the first quarter of the year are respectively 11.16 percent, 10.9 percent and 13.59 percent higher over the same period last year.

AGRICULTURE

April Imports of Cereals, Edible Oils

HK2705104691 Beijing CEI Database in English
27 May 91

[Text] Beijing (CEI)—Following is a list showing China's import volume of cereals and oils in April 1991, released by the General Administration of Customs:

Item	Unit	April 1991	April 1990
Cereals	ton	1,249,342	1,329,670
wheat	ton	1,074,033	1,148,351
soybean	ton	63	27
Sugar	ton	29,616	80,903
Animal oils and fats	ton	3,845	4,822
Edible oil	ton	13,634	96,799
Other oils	ton	58,062	63,331

Hebei Invests More in Agricultural Development

OW 1205132491 Beijing XINHUA in English
1245 GMT 12 May 91

[Text] Shijiazhuang, May 12 (XINHUA)—Hebei Province, one of the agricultural bases in north China, will invest 4.26 billion yuan in agricultural production and husbandry this year.

Cao Jinzhang, acting chief of the planning commission of Hebei Province, told XINHUA in a recent interview that the money will be used for a comprehensive agricultural development on the Haihe Plain and an ecological project in the mountain areas to the north of Beijing.

He said these projects include increasing 82,666 hectares of and restoring and improving 238,000 hectares of irrigation areas, and transforming low-yield and opening up farmland.

At present, Hebei has some 653,000 hectares of cultivated land, and the output of some of the province's agricultural products holds the leading position in the country. The province is also supplying agricultural products to Beijing.

Cao said that grain output reached 22.77 million tons last year, the highest in the province's history. The output of cotton and oil crops also exceeded their planned targets, he noted.

The outputs of grain, cotton and oil are expected to reach 24.9 million, 800,000 and 900,000 tons respectively, by the end of the Eighth Five-Year Plan period (1991-1995). Meanwhile, the total outputs of meat, eggs and milk are expected to reach their 2.21 million ton targets.

To realize the goal, Cao said, the Hebei Government has begun to invest large sums of money in agriculture this year, emphasizing the popularization of 30 agriculture-technology items.

He said that the government will also continue to transform and expand some fertilizer-producing enterprises in order to guarantee an adequate supply of fertilizer to agriculture production.

Heilongjiang To Build Commodity Grain Production Base

OW 1805043991 Beijing XINHUA in English
0043 GMT 18 May 91

[Text] Harbin, May 18 (XINHUA)—Northeast China's Heilongjiang Province is to begin this year carrying out a program aimed at building a five-billion-ton commodity grain production base in its reclamation area before 1998 or 2000, according to a leading official from the provincial bureau in charge of state-owned farms.

This means the start of the second campaign for developing the Heilongjiang reclamation area, the official said.

Widely known as "the great northern wilderness," the Heilongjiang reclamation area covers 85 million mu (about 5.66 million hectares) of land.

The area has been turned into an important grain producer with 102 state-owned farms in the past four decades. Because of the shortage of funds, however, about 80 percent of the reclaimed land is still low yielding and there is still vast waste land.

Based on repeated surveys and careful studies by experts, the authorities of the reclamation area worked out the program, expecting to raise its total annual grain output to 7.15 billion kg by 2000 from 3.36 billion kg during the Seventh State Five-Year Plan period (1986-90). Meanwhile, the volume of marketable grains the area provides will grow to 5.4 billion kg from 1.37 billion kg.

According to the program, attention will be paid mainly to improving 24.52 million mu (1.60 million hectares) of the current low-yielding reclaimed land. About 1.21

million hectares of waterlogged lowland will be drained while over 133,300 hectares of dry land will be equipped with spray-irrigation facilities and 240,000 hectares of dry land will be turned into paddy fields.

Besides, 300,000 hectares of new land will be reclaimed to build five new farms and expand 28 existing farms.

Efforts will also be made to update the water conservancy facilities and the farm machinery and tools in the reclamation area.

The implementation of the program will need a total investment of 4.08 billion yuan (about 800 million U.S. dollars), which will include state funds, bank loans and foreign funds.

Once the project is finished, the Heilongjiang reclamation area will made a profit of 500 million yuan (about 100 million U.S. dollars) each year. Thus, all the investment can be returned in eight years, the official said.

Peasants Suffer Hardship

91C-MIN/81 Hong Kong CHENG MING
[CONTINUED] in Chinese No. 160, 1 Feb 91 pp 61-63

[Article by Shen Sheng (1947-1932): "The Mainland Peasant's Sad Song"]

[Text] What the Chinese Communists are practicing is not "distribution according to labor," but using agriculture to nurture industry. The gaping differences between city and countryside makes a firm foundation for the Chinese Communists to dominate with special privileges.

The Difficulties Created by the Huge Differences Between City and Countryside

The mainland has 800 million people living in rural areas, so it is an out-and-out agricultural nation. Because a high proportion of peasants are illiterate, and also because they have a natural instinct for suffering and forbearance, the dominant position of the Chinese Communists is relatively stable. On the other hand, the Chinese Communists are using certain measures to reduce peasants to a subhuman class so as to facilitate control and ensure social stability.

The overseas edition of LIAOWANG [OUTLOOK] magazine (No. 2, 1991) published an article entitled "The New Composition and Decomposition of China's Rural Areas." The article stated that "in the past year there were still many difficulties in the economic development of China's rural areas. Among the most glaring problems were the following. The order of commodity circulation was chaotic. Large quantities of the labor force that had moved out of agriculture returned to agriculture. There was a shortage of funds for agriculture. Logistical support for agricultural development was insufficient. There were insufficient supplies and serious overstocking of some agricultural by-products. Peasants had difficulty selling grain, etc."

These were just a few words, but they revealed the dire straits that quite a few mainland peasants now face. Actually, the predicament the mainland peasants face is not merely an economic problem, but rather is mainly a political one. Looking at it from the perspective of the difficult points listed by LIAOWANG, the problem is caused primarily by the unequal status of peasants. The huge contrast between city and countryside will cause these difficulties to grow worse.

Not long ago, there was a lengthy banned reportage entitled "Who Will Contract?" It reflected on the economic recession caused by improvement and rectification. In quite a few places it described the peasant's tragic fate as victim of the Chinese Communist retrenchment policy. Using the title, "The Laborers Butcher Labor," the author sang the dirge of the peasants' "great massacre."

An old peasant hanged himself because the hot peppers that he had planted were overstocked and had spoiled. He owed nearly a thousand yuan. His son placed his

hand on his father's ashes and vowed that he would act according to economic laws, so that the old peasant, who had broken the seal on the natural economy, would receive the wealth that was due him.

The son, who was an ordinary graduate from a vocational middle school, did indeed study hard. After reading the basic theories of political economics, he went on to read *Das Kapital* and *The Economics of Scarcity*. He suddenly understood things. "I didn't know before how terrifying economics was. However, an even greater terror is not economics, but the invisible pair of devil's talons that manipulate economics in the dark."

Behind the Peasants' "Massacre"

The "invisible pair of devil's talons" controls the peasantry harshly. When Beijing's mayor, Chen Xitong, called upon people to buy Chinese cabbage as a "lofty patriotic gesture," peasants all over the country were destroying the fruits of their own labor on a large scale. They destroyed all products that were not sold (this differed from overproduction), such as cabbage, radishes, tobacco, marble, tea, wool, long-haired rabbits, fisheries, etc... A peasant who grew vegetables produced a notice from the village committee. It was in the nature of an order, telling peasants to plant "adequate winter storage vegetables." The peasant angrily retorted that, for the sake of "the big picture," peasants destroyed corn and planted radishes and cabbage, these ultimately went unsold, and peasants received no return on their investments. Even if someone wanted to sell them, they made no money, because vegetable seed had doubled in cost, and cost of electricity for irrigation had increased to 2.50 yuan per hour. In truth, production costs had risen 100 percent and, adding in taxes, they received nothing for their hard work.

What is worth mentioning is that the agricultural sideline products that were "massacred" were not unsalable, on the contrary, some were basically very appealing. Then why did they suffer the fate of being "massacred"? Perhaps this is what the authorities mean by "the chaotic circulation of commodities." This, combined with the funding shortage, meant that peasants could find no way out, and they trod on the road to bankruptcy. According to reports, many ambitious peasants shouldered debts to "enliven the economy," and in the end saw no return on their capital. Unable to withstand the blow, they went down this road of self-destruction.

Most Peasants Still Work Just for Food and Warmth

The author of "Who Will Contract?" asked in a puzzled tone, "The mainland economy is the kind of extensive economy where inputs do not match outputs and where the benefits are low. Why were the 'benefits' startlingly high when there were disasters?"

The answer has long been there—the mainland economy uses the exploitation of the peasant as capital for developing industry. Official statistics explain the issue very clearly. In the 30 years since "liberation," the total

reduction in prices of agricultural products prices was 600 billion yuan. Yet in the same 30 years, the government's investment in fixed assets for industrial production was precisely 600 billion yuan. Of course this is not a coincidence, but proves that what the Chinese Communists are practicing is not "distribution according to labor," but rather using agriculture to build up industry. They are using administrative measures to take 600 billion yuan from the hands of the peasants. Had this 600 billion yuan been returned to the peasantry, the countryside would not be like this today; without this "transfusion" of 600 billion yuan, towns and cities would not be like they are today either.

As for the big official buildup of the "10,000-yuan household," is that not saying that the peasant is getting rich? But they are only a fortunate few; most of the 10,000-yuan households relied upon changing to processing industries or to business and commerce to get rich. Those who really "keep the world going" still work hard for food and clothing, many of them dream only about having enough to eat and having a new set of clothes for New Year's. LIAOWANG revealed that in Deng Xiaoping's home province of Sichuan, over half the counties are "old, young, remote, or poor." Many homes have nothing but a rotting cotton quilt; even Yang Rudai, the provincial governor, shed tears during an inspection. In 1984, in the five counties in the Qianjiang region—which has a population of 2.63 million—more than 1.6 million people lacked food and clothing. Even after authorities concerned made a massive effort to "help the poor," 200,000 to 300,000 people had yet to solve their food and clothing problems. In the old revolutionary base area of Dabashan, the average peasant income increased from 120 yuan to 400 yuan over the past five years. The authorities claimed it was an "inspiring achievement," yet a so-so standard of living of slightly more than 30 yuan per month can only be "an initial step in solving the food and clothing problem." Authorities admit that about 30 percent of households that were "freed from poverty" face the risk of falling back into poverty.

Startlingly Exorbitant Taxes and Levies

In the past, the Chinese Communists were clearheaded, and talked about gradually eliminating the "differences between industry and agriculture" so as to assuage the peasants' dissatisfaction. But in reality, due to political considerations, they were pursuing a national policy that increased the differences. In the countless twists and turns of political movements, the national economy suffered numerous blisters and punctures. In order to support the facade that "socialism is superior," the well-being of the peasants was frequently sacrificed and towns and cities were favored in order to create the appearance of "stable prices and a brisk market." But the peasants were not compensated for their contributions—from "offering a loyal heart, preparing food for battle" in the past, to giving "everything for the Asia Games" in the present. We can see peasants tightening their belts to make offerings to exorbitant taxes and levies.

In the winter of 1989, Sichuan had a bumper crop of tangerines, yet tangerine growers cried about their woes and complaints everywhere. Some land produced tangerines at 0.20 yuan per jin, and peasants still could not sell the fruit; they angrily took the tangerines home and gave them away. Only later, when the governor looked into the matter personally, were the reasons known. It was principally because during the "circulation" process, various agencies collected too many fees. In all, there were 21 different kinds of fees, and the taxes actually exceeded the tangerines' selling price.

According to official statistics from the year before, the average income of a city dweller was 828 yuan. A peasant made 420 yuan, so that there was a difference of 404 yuan between the city and countryside; however, the actual gap was not this size. For example, the city dweller could enjoy "state subsidies" which had various names; the peasant did not have these. The typical city dweller could live in low-rent public housing, while the peasant had to build his own housing. Factory employees had medical and health benefits, but peasants had to pay for them out of their own pockets. Peasants even had to buy chemical fertilizers and pesticides on the high-priced black market. Comparing things in this way, the differences between the city and countryside are endless!

Moreover, peasants' rights to an education have also been expropriated. Presently, the mainland has over 230 million illiterates; the vast majority of them are in the countryside, because the Chinese Communists withheld educational funds. Low pay for teachers, dilapidated school buildings (there have been incidents of students crushed to death by collapsing buildings), and high tuition have all eroded the number of children in school. Even those who have a mind to learn have lost the right to fair competition because of their status as peasants. According to the grade line—the guide for selecting students—set by middle schools in several areas, the difference between the grade lines in urban and outlying districts is about 150 points. That is to say, the examination grade of a student from an outlying district must be 150 points higher than that of an urban student before he will be chosen to attend middle school. This kind of confused grading keeps peasant elementary school pupils outside the school door.

"Residency Rights" Are Similar to Those of a Convict

What describes the peasant's low status most clearly is the residency issue. In 1981, the decision of the Standing Committee of the National People's Congress to cancel urban residency for convicts put rural households in an awkward position. Punishing convicts by cancelling their residency rights showed without a doubt that 800 million peasants shared the same residency rights as convicts. On the other hand, the Chinese Communists, in order to express the "importance of talent," changed the household status of a few intellectual families from rural to urban. This also expresses the same rationale that the Chinese Communists have shown through their own

policies and laws: there are households that are high and low, respected and humble, but those who live in rural households are subhuman.

Even though the Chinese Communists have written the "alliance of industry and agriculture" into the constitution, we see that the Chinese Communists govern the mainland as a pyramidal society. At the top is the class of Chinese Communists with their special privileges. Below this is the urban class, and the lowest class is naturally the peasantry. In actuality, the gaping differences between the city and countryside make a firm base for Chinese Communists to dominate through special privileges. This writer has heard a few city dwellers complain greatly about the rising prices of goods. After doing so, they comfort themselves in the style of Ah Q: "Think of those in Ah County (the peasants). We still have our subsidies, and we are much better off than they are!" It is exactly this kind of psychological attitude—of not being as well off as those above but better off than those below—that has become a buffer for social contradictions. However, with the increase in the floating population, and the gradual increase in the number of those dissatisfied with the city, it is possible that this buffer will collapse. The day that peasants rediscover their own self-worth is also the day of China's democratization.

Privileges Enjoyed by Children of Senior Cadres

*QIC MO/894 Hong Kong CHENG MING
[COUNTRINDIA] in Chinese No. 160, 1 Feb 91 p. 23*

[Article by Hsiao T'ung (5618 4827): "An Investigative Report on the Children of Senior Cadres"]

[Text] Last year, the Political Bureau of the Communist Party of China (CPC) instructed the Central Commission for Discipline Inspection and the Central Committee's General Office and Organization Department to jointly investigate the political and economic work situation of senior cadres and their immediate family members at the central, provincial, autonomous region, municipal government, and party committee levels. More than 10 non-Communist individuals were also invited to join the investigation. The process lasted seven months, and the investigation's report was submitted to the Political Bureau.

1,200 People Are Sent Abroad To Study or Work at Government Expense

The report reveals that among more than 600 cadres at or above the national ministry level (including members and alternate members of the Central Committee, members of the Central Advisory Commission and the Central Commission for Discipline Inspection, and members of ministries, committees, and general offices under the Central Committee and the State Council), more than 870 children or immediate family members of these cadres are in degree programs or in advanced training programs in Europe or North America, and are sponsored by the state. Also, 320 children or immediate family members have been sent to work in Chinese

embassies, consulates, and economic or commercial agencies in Europe and North America, or in the Xinhua News Agency or other Chinese-invested businesses in Macao and Hong Kong.

More Than 1,000 Children of Provincial and Municipal Senior Cadres Are Now Overseas

In addition, among over 1,100 leading cadres investigated at the provincial, autonomous region, and municipal level, 420 of their children or immediate family members are studying or taking refresher courses in Europe or North America, and nearly 700 children or immediate family members are working in Chinese embassies, consulates, or commercial agencies in Europe, North America, and Australia, or in Macao and Hong Kong.

No Fewer Than 4,000 Children of Senior Cadres Become Senior Cadres Themselves

There are more than 3,100 children or immediate family members of over 1,700 senior cadres in the central, provincial, and municipal governments or party committees that hold a position at or above the bureau or military division level. Over 900 children or immediate family members of these senior cadres are managers or members of a board of directors of foreign trading companies in special economic zones.

There Are 27 Cadres Who Go Abroad an Average of 10 Times Each Year

Regarding leading cadres going abroad for visits and investigations, the Central Committee made a special investigation of the provinces of Guangdong, Guangxi, Jiangsu, Fujian, and Hebei, and of three cities directly under the central government—Beijing, Tianjin, and Shanghai. The investigation found that during the five years between 1985 and 1989, cadres in these five provinces and three cities who were at the prefecture, bureau, or district level went abroad for visits or investigations an average of 11 times each. There were 27 cadres who went more than 50 times each.

Over 8,000 Cases on File for Investigation and Prosecution

In recent years, unhealthy trends in the CPC have run wild. The phenomena of embezzlement, corruption, and breach of law and discipline among cadres at all levels are commonplace. The report shows that the CPC has received over 23,000 letters exposing or accusing cadres at or above the central, provincial, autonomous region, and municipal bureau level, or accusing these cadres' family members. Over 8,000 serious cases have been placed on file for special investigation and prosecution.

Instructions From Chen Yun and Deng Xiaoping

For a long time society has been controlled and administered at officials' personal discretion, with the party's authority above law, bureaucrats shield one another, and redness is ascribed according to the values of one's blood.

line. As a result, the CPC finds itself tied up with unsurmountable problems and incurable chronic diseases. Although the investigation's report has been presented and discussed many times at enlarged conferences of the Central Committee's Political Bureau, Jiang Zemin and the Political Bureau are still hesitant to seriously handle these problems—even if a couple of people wanted to—because of the extensive involvement of so many people and the tremendous impact it would have.

It is said that Chen Yun issued two instructions in the name of director of the Central Advisory Committee. The first instruction was on 3 September 1990, and it read: "In recent years, the abuse of privileges has been quite serious among leading party cadres. Not only must the problem be solved, but its root source must be identified. If the Communist Party does not serve the people, people have the right to protest and demand the replacement of leadership." The second instruction, issued 28 December 1990, read: "The Communist Party should have the courage to trace the main reasons and correct mistakes. Opposing the abuse of privilege and opposing corruption faces a tough time. I totally support the Central Committee's Political Bureau."

Deng Xiaoping also gave instructions on 1 September 1990: "There have been notable achievements in opposing corruption over the year. The work has to be carried on as an important mission to get rid the party of its moths."

The Predominance of "Princes" and "Princesses"

At the New Year's tea party, the director of the State Education Commission and member of the Central Committee's Political Bureau addressed the leaders of party committees from some institutions of higher learning, saying: "School education must support the goal of serving proletariat politics, and persist in cultivating successors for the socialist construction of the four modernizations who are both red and professional."

Speaking of the criteria for successors and of school enrollment, Li Tieying conveyed instructions from the "leaders of the Central Committee." He said, "We will promote to leading positions in departments at all levels those outstanding children and descendants of the old revolutionary generation and revolutionary martyrs." He made it clear that this was the party's long-term strategic arrangement to ensure that the state would not change its color for thousands of generations to come.

Shandong Commends Culturally Advanced Counties

SK2105021091 Jinan Shandong People's Radio Network in Mandarin 2200 GMT 20 May 91

[Text] The provincial party committee and government held a rally to name and commend the Jinan counties advanced in cultural development on 20 May. Twelve counties, cities, and districts—Laizhou City, Tengzhou

City, Xintai City, Linqu County, (Zhangdian) District, Zouxian County, (Zichuan) District, Linzi District, Yanzhou County, Changdao County, Zhangqiu County, and Rongcheng City—were the first group to win the honorary title of culturally advanced counties. Attending the rally were Vice Minister of Culture Xu Wenbo, who made a special trip from Beijing to attend, and provincial leading comrades Gao Changli, Miao Fenglin, Lin Ping, Song Fatang, and Zheng Weimin. They presented awards to the commended units.

Since the beginning of the 1980's, cultural undertakings have shown rapid development in our society. So far, nearly 800 towns and townships in the province have established cultural centers, accounting for one-third of the total number of towns and townships. Specialized rural cultural households have increased to 20,000, and village-level cultural courtyards have increased to more than 20,000, accounting for one-fifth of the number of villages. A multilayered and multiform cultural network in society from cities to rural areas and from state cultural units down to individual specialized cultural households has taken initial shape, thus enabling cultural development to play a role in promoting economic and social development.

Gao Changli, Lin Ping, and Song Fatang gave speeches at the rally. They pointed out that, while carrying out the activities to build cultural counties in society, and doing a good job in the mass cultural work, we should strengthen work toward specialized cultural groups, and improve and invigorate specialized creations and performances. This year marks the 40th anniversary of Chairman Mao's delivery of the speech at the Yanan forum on literature and art. Specialized literary and art groups and specialized performing groups should continuously present the works loved by the masses.

They emphasized that party committees and governments at all levels should pay attention both to mass culture and to specialized creation and performances. They should study ways to integrate these two, and do a good job in improving cultural activities after popularizing them, and in popularizing them with an aim to improving them. As long as we succeed in building culturally advanced counties, and in reforming the contingents for specialized creation and specialized performances, our province's cultural work will experience significant achievement and progress within a short period, and will make a positive contribution to our province's fulfillment of the Eighth Five-Year Plan and the goals to be attained in the next 10 years.

Xu Wenbo, vice minister of culture, also spoke at the rally. Miao Fenglin, Standing Committee member and Propaganda Department director of the provincial party committee, presided over the rally.

Public Security Cooperation Network Proves Effective

OW 1105201891 Beijing XINHUA Domestic Service in Chinese 0655 GMT 10 May 91

[By RENMIN RIBAO reporter Mao Lei (3029 4320) and XINHUA Reporter Niu Aimin (3662 1947 3046)]

[Text] Beijing, 10 May (XINHUA)—The lateral cooperation network for district public security sub-bureaus in 10 provinces and municipalities, which was formed five years ago, is aimed primarily at dealing a blow to criminals on the run. It has helped to solve more than 1,000 criminal cases of all types and to capture nearly 1,000 fleeing criminals.

The Fifth Cooperation Conference of Public Security Sub-bureaus in 10 Provinces and Municipalities is currently under way in Beijing. Today at this conference, these reporters learned that to meet the needs of reform

and opening and curb the threat to society posed by the rapid rise in recent years of criminals who flee from province to province, district public security sub-bureaus in 10 provinces and municipalities—including Guangzhou, Shanghai, Wuhan, Beijing, Tianjin, Nanjing, Changsha, Wenzhou, Xian, and Shenyang—voluntarily formed a lateral cooperation network of urban public security departments five years ago. The network uses the Beijing-Guangzhou, Beijing-Shanghai, Beijing-Harbin railways as its arteries.

A responsible person in public security department in the city of Beijing noted that this lateral cooperation network is able to directly and quickly transmit huge amounts of information about fleeing criminals, and exchange advanced experience. The network has helped to promptly and effectively crack criminal cases of all sorts, and has arrested criminals and collected evidence. It has proved useful in cracking down on criminals and safeguarding public order.

Editorial Calls for Ending Discriminatory Trade Practices

91C105141 Taipei CHUNG CHI JIH PAO in Chinese
9 Apr 91 p 2

[Editorial: "Complete Abolition of Discriminatory Trade Practices"]

[Text] As recently reported in this paper, the liquor manufacturers organization of the European Common Market protested the unfair treatment by Taiwan of whisky imports, when Taiwan had opened up such imports. They stated that they will take retaliatory measures at the negotiations for the multilateral agreement on fibers to be held at the end of this year. Moreover, officials of the International Trade Administration of the Ministry of Economic Affairs have also stated that since opening up liquor imports last year from the United States and from the European Market, the state made three times as much profit from taxing public sales of Scottish liquor than from taxing U.S. liquor, and that this is strongly resented by the Scottish liquor manufacturers association. We believe that taxing the public sales of imported U.S. and European liquor at different rates is a differentiating and discriminating trade practice, which violates the principle of free trade and is contrary to GATT demands. Today, as Taiwan tries its utmost to promote economic liberalization and to join GATT, such discriminatory trade practices must not be allowed to continue and must be investigated thoroughly.

Economic liberalization is the fundamental policy guideline for economic affairs at the present stage, and trade liberalization is an important link of economic liberalization. However, in fact there are up to now many trade practices that frequently run counter to the principle of liberalization. One example of this is the discriminatory treatment of liquor, which is now allowed to be imported, a treatment that has evoked the strong protest of European Market and Scottish manufacturers of liquor. Everybody knows that opening up to the importation of U.S. liquor was a decision made under strong pressure from the United States, while opening up to imports of European Market liquor occurred because of the strong European Market protests against discriminatory treatment. Although this arrangement of only opening up liquor imports from the United States and the European Market and prohibiting liquor imports from other areas had been forced on a reluctant Taiwan, it still constitutes regional discriminatory treatment and violates the principle of free trade, which does not allow such differentiations. As to the tax differential (profits from public sales) between U.S. liquor and liquor from the European Market, it is an even more serious violation of principle. No wonder that it aroused the anger of the various countries of the European Market and led to a threat of retaliatory measures at the negotiations for the fiber agreement.

Taiwan still practices regionally discriminatory treatment on imports of certain agricultural products and fruits. Some countries may import these products and some countries may not. This has also evoked criticism and protest from quite a few countries, and foreign trade matters create difficulties in diplomacy. Cars imports are allowed, but Japanese car imports have always been prohibited, and Korean car imports are restricted in numbers. Korea has repeatedly demanded that Taiwan relax the restriction. Because Japan enjoys a huge surplus in its trade with Taiwan, it has not yet shown any resentment or criticism. This kind of regional discriminatory treatment is bound to constitute a stumbling block for Taiwan's entry into GATT.

The authorities concerned have for many years energetically promoted trade liberalization, but up to now there are still many import control measures in force. Control measures of a general nature (that is, those that are not discriminatory) can hope, under certain special conditions, to be acceptable to GATT, but discriminatory controls have no chance of being accepted. Since Taiwan has opened up to the importation of U.S. and European Market liquor, why must Taiwan still restrict liquor from other countries? Why has there to be a differential in profits from taxing the public sales of European and U.S. liquor? Do such measures make any sense as a protection of domestic manufacturers (the public sales administration)? As to the prohibition of car imports from Korea and Japan, the purpose was obviously to protect domestic manufacturers. But this protection has lasted for over 30 years; there has been much too much of it, and there should be no more of this high degree of protection. Reviewing the effects of opening up for imports of electrical home appliances several years ago, we see that it did not ruin domestic manufacturers, but on the contrary led to their raising efficiency and enjoying rapid growth. We believe, therefore, that allowing importation of Korean and Japanese cars, although a blow to domestic manufacturers, will not completely wipe them out, and will help them remold their operations.

Many years ago, in the early stages of economic development, Taiwan was economically backward and its foreign trade was small and mostly showed a deficit. Adoption of strict import control measures, even discriminatory control measures, at that time still could be excused and tolerated by other countries. Today, Taiwan's economy has had many years of rapid growth, foreign trade has greatly expanded and increased, making Taiwan the 13th largest trading country in the world and enjoying a continued huge trade surplus with foreign exchange reserves that rank among the largest in the world. If Taiwan still persists in rigid import control measures, particularly those of a discriminatory nature, it is bound to evoke severe criticism and strong protests from other countries. This would be not only detrimental to future economic and trade development, but would also be a factor preventing Taiwan's entry into the international trade organization of GATT.

Looking at the major trend in global trade development, we see that liberalization will be the major trend of the future, and that the principle of nondiscriminatory treatment will command even more widespread attention. Since Taiwan is now one of the large trading countries of the world, also a strong proponent of trade liberalization, it must observe this principle. However, there is no denying the fact that government departments concerned, perhaps due to the many years of a deep-rooted control concept, or due to pressure from interest groups, have instituted measures that violate the said principle. We fervently hope that the authorities concerned will institute a comprehensive reexamination and amendment, in accordance with the principles of liberalization and nondiscrimination, of the various import control measures currently in force, and will advance toward a condition of comprehensive decontrols of imports and establishment of a new state of free trade.

Editorial on Methods To Promote Private Investment

91C 105146 Taipei CHINA; CHI JHI PAO in Chinese
6 Apr 91 p.7

[Editorial: "How To Effectively Promote Private Investment"]

[Text] According to several recent indices, the economic recession seems to have passed, and the economy is on the way to a gradual recovery. However, the persistently listless state of private investment deeply troubles economic and financial leaders and some people even believe that private investment will never again recover from its depressed state. Some businessmen believe that due to the decline of private investment, industry has already become debilitated. Although domestic private investment at present has not risen, according to our understanding of Taiwan's economy, to say that private investment will never recover from its depressed state, or that industry has therefore become debilitated, is really too pessimistic an attitude for the following reasons:

1. The decline in private investment only happened last year. During the period from 1986 to 1989, private investment rose at the average annual rate of 18.4 percent, not less than the 18.2 percent annual increases during the 1960's, the time of peak prosperity. According to past experiences, there is a relationship between private investment, changes in the state of the economy, and enterprise profits. When there is a slump in the economy, or profit rates drop, private investment declines, even shows negative growth. When the economy shows signs of recovery and profit rates go up, private investment will correspondingly begin to increase, or lag behind somewhat. At present, the economy is beginning to recover, but profits have not increased. It was foreseen that private investment would not yet start up again. This is not at all a case of being unable to recover from decline. We believe that as long as political and social stability is maintained, there will be investment opportunities in the Taiwan region, and

these will certainly not be ignored by entrepreneurs. Everybody should have confidence in future economic development.

2. During the last three years, the industrial growth rate declined. Especially in the manufacturing industry the annual growth rate in 1988 and 1989 was less than four percent and even dropped to 1.7 percent in 1990. At the same time employment of workers and employees in the manufacturing industry dropped, which some scholars take to mean that industry is showing signs of debility. However, if we look closer under the surface, we see that this phenomenon is completely the result of adjustments by entrepreneurs, who under the pressures of labor shortages, large wage increases, and the large-scale appreciation of Taiwan currency, have stopped operations, or transferred operations abroad, of labor-intensive industries which have lost their competitiveness. If we divide the manufacturing industry into two sectors, one is the labor-intensive light industry, which on the average declined during the last three years, and one is the heavy industry, which primarily depends on capital and technology, and in which production during 1988 and 1989 rose at the average growth rate of 7.8 percent, and in 1990 still maintained a growth rate of one percent. If we then again refer to investment in the manufacturing industry, these investments increased during the period from 1986 to 1988 at the average annual rate of 22 percent, which was about the same as the average annual rate of 22 percent during the peak investment years of the 1960's. During the last two years, investments in the manufacturing industry merely showed a retardation of increases, but not a decline. The fact that the average annual rate of increase of the labor productive forces in the last five years (from 1986 to 1990) rose from the two percent of the early years of the 1980's to 8.2 percent demonstrates the result of efforts by enterprise owners to continue investing, in the course of their adjustments, to improve their industrial structure, and this testifies to the fact that Taiwan's manufacturing industry is not at all in a state of debility.

However, at present, the eagerness for private investment has not risen. If the government in good time adopts effective measures, it will not only prevent a lag in private investment, time, but will also promote the early complete recovery of the economy. The following are our suggestions on how to promote private investment:

1. The Six Year Plan for national construction was passed by the Executive Yuan on 31 January this year. New schemes still have to await completion of such procedures as feasibility studies, working out details, and budgeting. However, the various public construction projects already in progress must be actively continued and energetic efforts made toward their completion, so that they will all in time make the progress that had been anticipated. Because increased investments in public construction projects are a most effective method of stimulating eagerness for private investments, and since these construction projects after their completion, will

amply provide various basic facilities, these investments will raise the productive forces of private enterprises, reduce costs, and allow private investments to bring their due function fully into play.

2. Relevant organs of the government are now in the process of studying and formulating regulations to encourage private investment, it is still necessary to provide various encouragement rewards for private investment in public construction projects, and even more necessary to eliminate irrational provisions in some relevant current laws. For instance, private investment should not be used to build on land sequestered by the government and reserved for public installations, and must not be used for multiple purposes. If the land is originally destined for a train station and there is a combined development plan to build a large shopping center, or other such structure, on top of the station, this is an example of what should be forbidden, as it would make it impossible to effectively use limited land resources available. If one were to try to amend one by one these kinds of neglected regulations and pertinent laws, with the disgraceful efficiency of present-day legislation, it would take who knows how many years and months. If the government could at an early date come up with the "Regulations to Encourage Private Investment in Public Construction Projects" and send them to the Legislative Yuan, and then, through party-government agreement, have them passed during the present session, it could raise enthusiasm for private investment in public construction projects, it would also contribute to the early accomplishment of the Six-Year Plan for national construction, and could, furthermore, lighten the financial burden on the government.

3. After commodity prices have gradually stabilized, actual bank interest rates are inordinately high. Especially since countries like the United States, Canada, and Britain have lowered their basic interest rates to promote economic recovery, Taiwan's real interest rates appear particularly high. Although in the long-range view of future developments, there will be stringency and strong demand for international capital, and interest rates may go up, under the present circumstances, the central bank should lower domestic interest rates.

4. Economic liberalization has been promoted for many years, and there has been marked progress in liberalizing foreign exchange and liberalizing trade. However, steps taken to open up the service industries are too slow, especially in the area of the information service industry. In the future, it will be of critical importance for us whether we shall be able to join the information age. If we are able to accelerate liberalization in this direction, we could then absorb large amounts of private capital. This would not only stimulate early recovery of the economy, but would also enable us to join at an early date the information age.

If we accomplish the above four points, it will encourage private investment, and create broad and new investment opportunities for private investment.

Budget Office Projects Increased Economic Growth

OW1305105791 Taipei CNA in English 0847 GMT
13 May 91

[Text] Taipei, May 13 (CNA)—The Directorate General of Budget, Accounting and Statistics (DGBAS) is planning to raise the ROC's [Republic of China] 1991 projected economic growth rate from 6.22 percent to 6.5 percent.

DGBAS said that expanded investment from the private sector is needed if a seven percent growth rate is to be reached.

It said that reduced oil prices after the Gulf war are the main reason for adjusting the growth rate. It estimated that the growth rate can be adjusted upward for every one U.S. dollar drop in oil prices. It has based its new projection on average annual oil prices of about 20 U.S. dlrs from 24 U.S. dlrs as in February.

DGBAS concluded that foreign trade and industrial production had seen visible expansion in the first quarter, but private consumption and investment demand had not turned for the better. In the first quarter, the growth rate was slightly higher than the projected 5.72 percent. But it still fell far short of the seven percent goal.

Upturn in Early May Exports Leads to Optimistic Outlook

OW1505092291 Taipei CNA in English 0818 GMT
15 May 91

[Text] Taipei, May 15 (CNA)—The Republic of China's exports turned strong again in early May after declining in April, making official optimistic that overseas sales will exceed 6 billion U.S. dollars this month.

According to customs statistics, exports in the first 11 days of May totaled 2.41 billion U.S. dollars, growing at an annual rate of 9.7 percent, while imports increased 20.7 percent to 1.9 billion U.S. dollars, leaving a trade surplus of 510 million U.S. dollars.

Citing the figures, a Council for Economic Planning and Development official said with average daily exports returning to "the normal level of more than 200 million U.S. dollars," total exports for the month will likely top 6 billion U.S. dollars.

He attributed the rebound in exports to increased orders that have flocked into the country after the end of the Persian Gulf war.

The 510 million U.S. dollar trade surplus registered in the 11 days was 100 million U.S. dlrs less than that of the corresponding period of 1990, but it nearly doubled April's 270 million U.S. dollars, the official noted.

As of May 11, the year's exports had reached 24.87 billion U.S. dollars for an annual growth of 7.3 percent.

and imports totaled 22.43 billion U.S. dollars, a growth of 12.5 percent. The trade surplus was 2.43 billion U.S. dollars, down 24.6 percent.

Incentives Offered To Promote Industrial Automation

*OW1605091191 Taipei CNA in English 0826 GMT
16 May 91*

[Text] Taipei, May 16 (CNA) - Low-interest loans and tax deductions will be offered to Taiwan manufacturers who invest more in production automation, the Industrial Development Bureau (IDB) announced.

Speaking at a seminar yesterday on automation and business management, IDB Director Yang Shih-chien said that the move will help boost the Republic of China industrial production to 300 billion U.S. dollars by the year 2000 from 1990's 153 billion U.S. dollars.

Yang said that his bureau recently surveyed 18 production industries and found that automated products accounted for less than 60 percent of their total production. IDB is cooperating with other government agencies to offer incentives to those manufacturers who want to buy automation equipment, he added.

Yang said that the Central Bank of China has transferred 10 billion NT dollars to the Bank of Communications for loans to finance manufacturers who want to buy automation facilities. The loans will carry an interest rate of 8.5 percent.

Furthermore, he said, the cabinet's development fund will offer 20 billion NT dollars for the same purpose. The interest rate for the loans will be 9.25 percent.

Foreign Workers To Be Hired 'Conditionally'

*OW1705132891 Taipei CNA in English 0824 GMT
17 May 91*

[Text] Taipei, May 17 (CNA)—Economic Affairs Minister Vincent Siew said his ministry is in agreement with the Council of Labor Affairs proposal to allow businesses here to hire foreign workers on a case-by-case basis.

Businesses will be allowed to hire foreign laborers if they can produce a plan regarding the use of foreign workers and make sure the foreign workers will be sent home after their contracts expire.

Other requirements include a long-term production automation plan must be worked out, the hiring of foreign workers must meet related law and regulations and it is difficult to find local workers because of harsh working conditions.

Siew said that it is not appropriate to open the door wide to foreign workers because it is not the only way to resolve labor shortage problems. Strengthening production automation is the basic way to resolve the problem.

Siew said the reason that his ministry agreed to allow businesses here to hire foreign workers conditionally is to resolve short-term labor shortages because production automation can not be accomplished overnight.

A Labor Council official said that only dyeing factories face serious labor shortages because of their harsh working conditions. A task force has been formed by government agencies to conduct a comprehensive survey of labor supply and demand in different manufacturing industries and of the possible impact of recruiting foreign workers.

Economic Growth Reaches 6.4 Percent in 1st Quarter

*OW1705133791 Taipei CNA in English 0811 GMT
17 May 91*

[Text] Taipei, May 17 (CNA)—The Republic of China economy grew 6.4 percent in the first quarter of 1991, higher than the projected 5.72 percent, the Directorate General of Budget, Accounting and Statistics (DGBAS) reported today.

The cabinet-level agency attributed the better-than-expected performance to a quick end to the Gulf war, subsequent drops in international oil prices and a resurgence in manufacturing.

The agency was, however, not overly optimistic about domestic economic growth in the remaining months of the year. It did not expect the country to achieve the seven percent growth target set by the Council for Economic Planning and Development, and estimated the growth rate would be 6.5 percent, slightly higher than its earlier target of 6.22 percent.

The agency gave several reasons for its cautious forecast. First and foremost, private investments remained low during the first quarter.

The agency said that although capital formation, the expansion of such capital goods as buildings, machinery and equipment which produce other goods and services, rose 5.6 percent during the three-month period, the gains came mainly from investments by the government and state-run enterprises.

DGBAS tallies show government investments increased 19.1 percent during the January-March period; investments by state-run enterprises rose 11 percent, but private investments declined 6.5 percent.

The agency continued that while the year-long recession in manufacturing has bottomed out, the service sector has not yet shown strong signs of recovery. As industrial production now accounts for only 38.76 percent of the gross national product (GNP), it worried that the current manufacturing-led upturn might not have enough steam to fuel all-out growth.

Moreover, the agency said, the world economy has not yet regained full momentum. It quoted a forecast by the

U.S.-based Wharton Econometrics as saying that the global economy will grow a mere one percent this year. Weak world growth will certainly affect Taiwan's export-led economy, it added.

A DGBAS official pointed out that investment is essential to sustain economic growth and now is an ideal time to invest here. He suggested the government make timely adjustments in credit policy to stimulate domestic investment.

Ministry To Draft Social Security, Welfare Guidelines

*OW 2305111791 Taipei CNA in English 0836 GMT
23 May 91*

[Text] Taipei, May 23 (CNA)—A set of guidelines for social security and welfare policies will be drafted by the Ministry of the Interior.

The ministry is expected to submit the draft guidelines, which will guide the country's future social security and welfare policies, to the cabinet for further review before the end of 1992.

Interior Minister Hsu Shui-teh said the biggest obstacle to progress in social welfare programs at present is not limited funding but the conflicting policies and measures adopted by different government agencies.

In addition to the Interior Ministry, such cabinet-level agencies as the National Health Administration and the Council for Labor Affairs are also entitled to initiate

social security and welfare programs. The programs formulated by the different departments are sometimes contradictory.

Hsu said the proposed guidelines will help ensure consistency in the nation's social security and welfare policies.

The guidelines will cover five fields:

- Employment security: the Interior Ministry will ask the Council for Labor Affairs to inaugurate a nationwide unemployment insurance program before 1993 and to strengthen vocational training.
- Social insurance: in preparation for the inauguration of a national health insurance program in 1994, the Interior Ministry will work with the Labor Council and the Council for Economic Planning and Development to set insurance premium rates and map out compensation terms.
- Social relief: the ministry will help local governments set aside social relief funds for victims of grave accidents or natural disasters.
- Social services: special programs will be initiated to offer employment, education, housing, and medical service and assistance to women, children, adolescents, senior citizens, and the disabled.
- Community development: the guidelines will encourage people residing in the same community to organize nonprofit associations and to develop community administration and security systems to protect community interests.

END OF

FICHE

DATE FILMED

21 June 1991